



**SECURING
THE FUTURE**

Management Lessons of 9/11

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PARTNERSHIP FOR PUBLIC SERVICE

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Cover image: Looking Up at Ground Zero

EXECUTIVE SUMMARY

In the aftermath of the deadly Sept. 11, 2001 terrorist attacks, President George W. Bush supported and Congress approved two of the most significant government reorganizations in decades—the creation of the Department of Homeland Security (DHS) and the Office of the Director of National Intelligence (ODNI).

DHS was a new super structure—the merger of 22 domestic and law enforcement agencies and some 180,000 employees—designed to shore up the nation’s internal defenses against terrorism. ODNI offered a different model, the creation of a new director of national intelligence (DNI) and supporting staff to oversee and help coordinate the work of 16 separate intelligence agencies that often operated in silos with little information sharing. Both the domestic agencies and the intelligence community had been criticized for failing to detect and prevent the 9/11 attacks.

To mark the 10th anniversary of 9/11, the Partnership for Public Service, with Booz Allen Hamilton, interviewed numerous leaders involved in the standup and operation of DHS and ODNI, as well as outside experts and members of Congress. We reviewed a variety of publications regarding DHS and ODNI, and held a public forum that featured former DHS Secretary Michael Chertoff, former CIA Director Michael Hayden, former DNI Michael Mc-

Connell, former Congresswoman Jane Harman and Lisa Brown, co-director of the Government Reform Initiative at the Office of Management and Budget.

The purpose was to understand the management challenges, not the policy debates, involved in building these two new government enterprises and to derive lessons that can be applied to restructuring efforts today and in the future, including the recent startup of the new Consumer Financial Protection Bureau and the potential reorganization of trade and export functions being considered by the Obama administration.

Our research offers a cautionary tale.

While the systemic and structural shortcomings at DHS were significant, the majority of people we interviewed felt the creation of the department was the right decision and well worth the effort. But they acknowledged that the merger initially resulted in mission overlaps and policy shortfalls, confused functional and operational roles and responsibilities, dissatisfied citizens and employees, intense political pressures and public scrutiny.

Our interviews and research presented a picture of DHS leaders operating with the best of intentions in a crisis atmosphere, and with an unprecedented sense of urgency

and determination to avoid another terrorist attack. But they were hampered by inadequate time to plan, to put the complex new department together and to build internal cohesion. They faced disorganization, resistance from merged entities, turf wars, low employee morale and a wide range of management shortcomings involving procurement, financial controls, information technology and the handling of contractors—issues that remain today.

ODNI had its share of problems as well, including uncertainty over the power and authority of the director, and turf wars within the intelligence community. ODNI moved cautiously with its buildup, taking almost two years to reach full operational capacity as it continued to focus on immediate threats to the nation. But it was hurt by a lack of continuity at the agency, with four different individuals serving as the director of national intelligence since its inception.

The individuals we interviewed offered many insights into the management of these two new government enterprises. Although DHS and ODNI are quite different organizations in many respects, they shared common management lessons. From our study, four basic themes emerged that go beyond how an agency is organized. They involve the role of leadership and need for across-the-board management buy-in to the new order; intangible but essential issues involving creation of a new culture and value system; the need to elevate the importance of management issues as a means of successfully implementing policy; and the role of congressional and White House politics in determining the effectiveness of a new organization.

LESSON ONE

Chain of command is necessary, but not sufficient

DHS followed the classic reorganization model of merging agencies and functions into a new Cabinet department with a secretary holding formal chain of command authority over a hierarchical organization. The law creating ODNI, in contrast, gave the DNI oversight responsibilities, but not explicit authority over the agencies and elements of the intelligence community. Neither approach resulted in the kind of integration that had been envisioned by supporters of these reorganizations. So no matter what model is chosen, reorganization requires something more—strong leadership to articulate the mission and the reasons for change, guide the transformation, and meld together disparate entities and management approaches. A crucial element in this equation involves winning the hearts and minds of the political and senior career executives up and down the organizational chart who must implement the reorganization. If the leadership corps is committed and held accountable for both operational and transformational objectives, progress can be made toward shaping a new organization. But without such buy-in, the wrong message will resonate throughout the workforce and the stakeholder communities, and the odds of problems and failure will increase dramatically.

LESSON TWO

The soft stuff is often the hardest to tackle

Just as chain of command may be a necessary but insufficient condition for a successful reorganization, having a clearly defined mission and a solid organizational structure are not enough. The experience of DHS and ODNI suggest it is the soft stuff, or the intangibles, which can be quite consequential—the vision, values and culture that must

be embedded in the new organization for it to gain traction and succeed. This requires the leadership corps to communicate the culture and values of the new organization, while showing sensitivity to the legacy cultures, histories and traditions of the merged entities. These issues can become one of the most potent sources of organizational resistance, especially if their adherents perceive that they are not being respected. Assimilating legacy cultures requires a change management strategy, and it takes more than words and slogans. Shaping a new culture means embedding the desired values and behaviors into the very DNA of the new organization—its personnel policies and practices, its formal and informal incentives, its own ceremonies and rituals.

LESSON THREE

Management is central to mission

Reorganization leaders sometimes give short shrift to the management issues that are critical to a well-functioning organization and the ability to effectively carry out the mission. That was especially the case with DHS and ODNI, where our nation's security was at risk. In the early days, that focus necessarily came at the expense of developing integrated management processes and systems, a phenomenon illustrated even in reorganizations of lesser consequence. Legacy processes and systems, like legacy cultures, preserve and perpetuate the old order and can be an organizational drag on the new enterprise. Those processes and systems matter. They deal with critical issues such as who gets resources (dollars and staff), what gets purchased, who gets promoted, and perhaps most importantly, who gets to make those decisions. If reorganization is to succeed, these must be reengineered, not just for the sake of greater efficiency, but specifically in furtherance of the new order. This means leaders of a new or reorga-

nized department must pay special attention to the basic management functions—areas like procurement, information technology, human resources and financial operations—and use every lever possible to create an integrated, enterprise-wide approach. This requires tying management and business systems together, finding ways to communicate across boundaries to the entire department, using personnel flexibilities, incentives and other authorities to further the goals of the reorganization, and holding people accountable for meeting management goals. The process can be aided by a strong implementation team for the day-to-day management of the transformation that has the authority and resources to help set priorities, make timely decisions and move quickly to implement decisions.

LESSON FOUR

While structure is important, the organization's super system may be more so

If the experiences of DHS and ODNI are any guide, the success or failure of reorganization may depend on dynamics and relationships that transcend the immediate borders of the new department or agency. A new government enterprise does not exist in a vacuum, but must operate within a super system of sister departments, White House councils and czars, and congressional oversight committees. While these institutional actors are rarely taken into account by those who design a new agency, they can have a profound impact on those charged with building and running the organization. This means it will help if those chosen for leadership positions have skills in navigating the federal bureaucracy and understand the Washington political environment. A striking example of the outside political forces can be found in the crazy-quilt congressional oversight of DHS, a legacy that reflects and perpetuates

the fragmentation of responsibility that the executive branch reorganization was meant to cure. The current congressional arrangement of some 88 committees and subcommittees with jurisdiction reflects the old order, not the new alignment, and at times can undermine the formal authority of the DHS secretary. The Intelligence Reform and Terrorism Prevention Act of 2004 also left unresolved the fledgling ODNI's relationship with its super system, preserving various management authorities of the intelligence agencies over critical levers such as personnel and budget, and making the success of the DNI largely dependent on personal relationships within the government, particularly when it comes to the president. Whether or not leaders of a new agency have the ability to change or influence the political dynamic, those who create and run these new government entities must be aware of the super system, how it may affect their plans and what it may take to succeed.

INTRODUCTION AND BACKGROUND

The Sept. 11, 2001 terrorist attacks that killed more than 3,000 people in New York, Washington and Pennsylvania shocked people around the world and raised grave doubts about the ability of federal authorities to protect the nation.

This seminal event set off a crisis atmosphere in Washington, prompting an intense political debate that led to the creation of the Department of Homeland Security (DHS) in 2003 and the Office of the Director of National Intelligence (ODNI) in 2005. The purpose of these new two entities was to increase information sharing, integration, and coordination among the separate, often stove-piped agencies involved in both reorganizations, in order to better safeguard the nation and respond to emergencies.

To better understand the management challenges involved in these historic efforts, and gather lessons for future government reorganizations, the Partnership for Public Service and Booz Allen Hamilton interviewed numerous individuals instrumental in standing up and leading DHS and ODNI, as well as congressional participants and outside experts.

The creation of DHS and ODNI, and more recent governmental changes, are part of a long history of federal restructuring—initiatives designed to make agencies more effective, to unify similar missions, to address new challenges and to reduce costs or enhance and solidify power.

As recently as July 2011, the brand new Consumer Financial Protection Bureau began operations as part of a financial reform law passed by Congress in response to the 2008 financial crisis. In addition, the Department

of Health and Human Services has created new offices to manage the sweeping 2010 health care law, and there have been revisions in the management structure at the Food and Drug Administration to meet new and growing demands. The Obama administration is now considering a significant reorganization that would merge many of the government's export and trade-related agencies as a way to better focus government policy and assist American businesses in navigating the global marketplace.

Most government reorganizations are difficult, but the establishment of DHS was unusual in its size, scope and complexity. It involved the merger of 22 agencies and 180,000 employees, representing the largest and most complex government reorganization since the creation of the Department of Defense (DOD) a half century earlier. In one official act, DHS became the third largest

IN FOCUS

Major federal government reorganizations since 1947

- 1947** Department of Defense
- 1966** Department of Housing and Urban Development
- 1967** Department of Transportation
- 1970** Environmental Protection Agency
- 1970** Office of Management and Budget
- 1971** U.S. Postal Service
- 1977** Department of Energy
- 1979** Department of Education
- 1998** Internal Revenue Service, Department of Treasury
- 2003** Department of Homeland Security
- 2005** Office of the Director of National Intelligence
- 2011** Consumer Financial Protection Bureau

federal government entity behind the Defense and Veterans Affairs departments.¹

DHS was charged with protecting against threats to America's safety and security, including preventing another terrorist attack. The merger brought together agencies responsible for securing the borders, protecting the coastlines, ensuring airline and port security, protecting the president, regulating immigration, providing emergency management for natural and man-made disasters, safeguarding industrial facilities and transportation networks, and synthesizing intelligence.

White House homeland security adviser, was confirmed by the Senate as secretary of the department on Jan. 22, 2003, sworn in two days later and then literally had to build a major enterprise from the ground up.

"So, on the 24th of January, Secretary Tom Ridge walked into a double cubicle at 18th and G, which was a transition office, and he was the department," said Thad Allen, then the Coast Guard chief of staff and later its commandant. "We sent a Coast Guard warrant officer over, and we gave him a Coast Guard travel card so he could travel."³

Our interviews and published re-

analyze terrorism information about national security threats.

"A key lesson of September 11 is that America's intelligence agencies must work together as a single, unified enterprise," President Bush said during a Dec. 18, 2004 White House ceremony to sign the legislation.

Since it began operations in 2005, ODNI has been hampered by legal ambiguity regarding the extent of its control over the intelligence community's budget and personnel, and it has encountered resistance—often overt, sometimes covert—from members of the intelligence agencies that it is charged with oversee-

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Congress ordered the new department's start-up just 60 days after the Nov. 25, 2002 enactment of the law, leaving little time to plan and organize, or even to confirm appointees to top departmental positions. After the final congressional vote, U.S. Comptroller General David Walker warned, "It's going to take years in order to get this department fully integrated—you're talking about bringing together 22 different entities, each with long-standing traditions and its own culture."² He was quite right.

Tom Ridge, the former congressman, Pennsylvania governor and

ports have painted a picture of a new department that faced innumerable challenges, ranging from the lack of a strategic focus to bureaucratic infighting, low employee morale and dysfunctional management systems and processes dealing with everything from procurement and finances to information technology and human resources.

As DHS was struggling to find its footing, Congress created the ODNI to oversee the nation's 16 intelligence agencies. Based on the July 2004 recommendations of the 9/11 Commission that investigated the terror attacks, the law created a new director of national intelligence (DNI) to coordinate the activities of the nation's intelligence community and to replace the head of the CIA as the president's chief intelligence adviser. The law also created a counterterrorism center to integrate and

ing. The law envisioned the DNI to be the president's chief intelligence officer, but it has not always worked out that way when relationships trumped legislative intent.

Nonetheless, a number of positive steps have been undertaken to foster coordination and information sharing, and to create an integrated intelligence enterprise.

The individuals who were deeply involved in building and running DHS and ODNI were well-intentioned, hardworking, dedicated and patriotic, and all of them expected that they would encounter unprecedented roadblocks and setbacks along the way. That turned out to be the case. This report recounts some of their personal experiences and insights about problems they confronted, the potential pitfalls inherent in starting a new agency, the strategies they employed and some of the hard lessons they learned that may help those embarking on future government reorganizations.

1 Beryl Radin, *Federal Government Reorganization: A Policy and Management Perspective*, Jones & Bartlett Publishers: 2009; and "Department of Homeland Security Facts for March 1, 2003," U.S. Department of Homeland Security Office of the Press Secretary, Mar. 2, 2003

2 Philip Shenon, "Threats and Responses: The Reorganization Plan; Establishing New Agency is Expected to Take Years and Could Divert It from Mission." *The New York Times*, Nov. 20, 2002

3 Former Commandant of the Coast Guard, Admiral Thad Allen is a member of the Partnership for Public Service's Board of Directors.

THE MANAGEMENT LESSONS OF



Creating a new government agency, whether from scratch like ODNI or by merger and acquisition like DHS, is difficult to accomplish, time consuming, expensive and disruptive, no matter how well it is managed and planned. It can result, at least initially, in mission gaps, dissatisfied citizens and disengaged employees. To succeed, it often requires the expenditure of political capital, the melding of different cultures, the creation of shared values and new ways of doing business, and re-engagement of citizens and stakeholders. Many times, the architects do not build flexibilities into the new organization, focusing on the current needs or the immediate crisis

without giving managers the ability to easily adapt to changing conditions and needs.

While solid organizational arrangements and clear legal authorities are necessary ingredients for successful organizations, we found that far more is needed. Those involved in the creation and operation of DHS and ODNI pointed to leadership strategies, the creation of new workplace values and cultures while respecting past histories, the need to place a high priority on management, not just policy, and the ability to navigate Washington's tricky political waters as important factors in implementing new governmental arrangements.

LESSON ONE

CHAIN OF COMMAND IS NECESSARY, BUT NOT SUFFICIENT

The typical federal response to crisis is to reorganize, and most government reorganizations follow a classic pattern: various agencies, units and functions are merged into a new or expanded agency or department, with a Cabinet secretary, director or administrator vested with formal chain-of-command authority over a hierarchical organization. The Homeland Security Act of 2002 followed this classic model, which was based on the assumption that giving chain-of-command authority to the secretary would provide sufficient clout to make the new department work. The Intelligence Reform and Terrorism Prevention Act of 2004, in contrast, did not give the DNI traditional chain of command authority over the agencies and elements of the intelligence community, and as a result, successive directors and their staff had to be far more creative in trying to exercise authority and break down the barriers to cooperation that existed on 9/11.

But the DHS and ODNI experience teaches us that far more is needed, and that neither approach worked to bring about the kind of integration that both laws envisioned.

No matter what model is chosen, our interviews made clear that any reorganization requires a strong leader, someone at the helm who is able to articulate the mission and the reasons for change, guide the transformation, and meld together disparate entities, management approaches and leadership teams. It also helps, of course, for the new department or agency to have the full

backing and support of the president.

While a coherent organizational arrangement with clear lines of authority and responsibility is necessary, there was a broad consensus that it is absolutely critical for the politically-appointed leaders and the senior career executives up and down the organizational chart to be fully on board with the new mission. Without such buy-in, the wrong message will resonate throughout the workforce and the stakeholder communities, and the odds of problems and failure will increase dramatically. It also can be helpful if the heads of a new department or agency can pick their own senior team—a luxury not always afforded by the White House or civil service rules—and hold them accountable for both operational and transformational objectives.

Ronald Sanders, the former Chief Human Capital Officer at the ODNI, said his experience with the intelligence community made it clear that top management must be absolutely committed to the new organization. He said it is “about winning the hearts and minds of career leaders, many of whom were there before and would be there long after the new secretary moves on.”⁴

“If you get the leaders on board, then that cascades throughout the organization. You can’t ignore the

frontline folks, but leaders shape the day-to-day work environment. So if you reshape your leadership corps, you begin to reshape and transform the organization,” Sanders said.

Stephen McHale, the deputy administrator of the Transportation Security Administration (TSA) from the time of its creation in 2002 until August 2004, agreed. He said top leaders not only need a vision that gets driven down through the entire organization, but “people must understand that their careers rise and fall on whether in fact they are part of this group or not.”

Ridge faced infighting, management disunity

Ridge came to the job as secretary of DHS in 2003 after having been a member of Congress, the governor of Pennsylvania and the homeland security adviser at the White House.

During his two years at DHS, Ridge sought to infuse his new department with a sense of unity, purpose and esprit de corps, and to brand it as “One DHS.” But Ridge faced turf wars, challenges to his departmental authority and political pressures from the White House and Congress, all the while working with a small staff and trying to direct members of a management team and agency heads that were not always of his own choosing.

“The notion that everyone was going to join hands and sing ‘Kumbaya,’ I don’t think anybody in our leadership expected that to happen. And it

⁴ Former Chief Human Capital Officer for the DNI, Ronald Sanders collaborated with the Partnership for Public Service on this report in his role as a Booz Allen Hamilton senior executive advisor.

didn't," Ridge told the Washington Post in 2005.⁵

The seeds of this discontent may have been sown in creating the team to lead the department.

The passage of the Homeland Security Act in late November 2002 came just before Congress headed home for a long recess, virtually guaranteeing delayed confirmation of nominees for departmental leadership positions. A good deal of the planning for the department had been done by White House staff before Ridge or any members of his team were even chosen.

prepare for what was ahead or even to get on the same page as a team.

Before 2003 ended, England left and was replaced as deputy secretary by James Loy, a former commandant of the Coast Guard and the first head of the TSA. By the end of 2004, with DHS still facing serious management problems and President Bush ready to start his second term, many of the top leaders were already heading for the exits. This included Ridge, Loy, Frank Libutti, the undersecretary for Information Analysis and Infrastructure Protection, and Inspector General Clark

convened the heads of the key DHS components to ensure they were on board with the department's broader mission, were being held accountable for both bureau and departmental goals, and understood the roles and issues facing each of their counterparts.

Chertoff said he sought to create a sense of shared objectives among members of his leadership team. He said this led to frequent joint planning, joint strategizing and joint discussions among top component leaders. These sessions in turn began to forge his leaders into a team—

“ The one great lesson I learned was that the biggest mistake people make is that if someone is not on board, they try to move them or come up with some compromise where they're doing something else. My observation is that never works.”

— Judge Michael Chertoff

To ensure top managers were in place when the department opened its doors, the Bush administration picked a number of individuals from other agencies who had already been confirmed by the Senate and could move to DHS and begin work pending their official DHS confirmation hearings.

For example, Gordon England came from the Department of the Navy to be the deputy secretary. Asa Hutchinson arrived from the Drug Enforcement Administration to become undersecretary for Border and Transportation Security, while Janet Hale was brought over from the Department of Health and Human Services to be undersecretary for management. All of these individuals were thrust into difficult situations without adequate time to plan and

Kent Ervin. The lack of leadership continuity made the battle for the hearts and minds of the workforce that much more difficult.

Chertoff imposed management discipline

Ridge was succeeded by Michael Chertoff, a former prosecutor and judge, who immediately began reorganizing the headquarters in part to ensure greater mission alignment among members of his senior leadership team. That nascent effort was sidetracked by the fallout from the mishandling of Hurricane Katrina in New Orleans, an event that exposed the weaknesses at the Federal Emergency Management Agency (FEMA) and the department itself, and led to the resignation of FEMA Director Michael Brown.

Chertoff absorbed harsh criticism after Katrina and quickly refocused his leadership approach, ensuring that either he or his deputy secretary, Michael Jackson, regularly

something that formal chain-of-command authority alone did not accomplish.

But obtaining this cohesion required a serious shake up. Jackson said that when Chertoff took over at DHS two years into its existence, he found legacy people from old organizations. “I would say that some were just plain tired and others didn't feel a wholehearted commitment to the new organization,” said Jackson.

Jackson said there had been 26 direct reports to the secretary when Chertoff arrived. “I think about six months into Chertoff's tenure, we had replaced all but maybe five or six,” said Jackson.

Chertoff's actions to replace members of the DHS hierarchy, and normal turnover of political appointees resulted in more than half of the senior employees at the headquarters, both career and those politically-appointed, either resigning or transferring to another department

⁵ Susan B. Glasser and Michael Grunwald, “Department's Mission Was Undermined from Start.” The Washington Post, Dec. 22, 2005

between 2005 and 2006.⁶ TSA and FEMA also experienced high attrition rates for senior career executives.⁷

Chertoff said he learned that to succeed as a leader, he needed to use both the carrot and the stick. “The one great lesson I learned was that the biggest mistake people make is that if someone is not on board, they try to move them or come up with some compromise where they’re doing something else. My observation is that never works,” said Chertoff. “All you have is an angry person in the tent. If it’s not working, what you’ve got to say is, you know, this is not working out and it’s time to leave.”

Legal authorities and personalities mattered at ODNI

At ODNI, there were challenges getting the new organization up and running while ensuring intelligence support for a nation engaged in war, and ambiguities surrounding the DNI’s authority over the various agencies, personnel and budgets. In short, there really wasn’t a clear chain of command, so the ability of the DNI to exercise formal authority over the intelligence community was problematic at best.

Michael Hayden, a former deputy director of national intelligence and later CIA director, said that because the intelligence reform law was vague, it was essential for the first DNI, John Negroponte, to set the tone and assert his authority from the beginning.

“I went to John Negroponte early on and I said, ‘I need you to move \$20 million dollars.’ I was his deputy, he was the DNI, and we were maybe four months into it. He said,

‘Oh, okay, what’s the problem?’ I said, ‘I don’t know. I just need you to move \$20 million. I want you to move some money. I want you to go out and stretch those muscles and make everyone know you are moving money. I’ll find something good,’” said Hayden.

Negroponte did not go along with Hayden’s suggestion. “The DNI was, perhaps, wiser than I was and preferred to slowly build consensus,” said Hayden.

Hayden also said it was important for the DNI to communicate directly with the heads of the different intelligence agencies, not through intermediaries, including departmental secretaries and staff. He said that in the military, “commanders talk to commanders,” and he believed that leadership of any large organization should follow this rule. In other words, act like you have chain-of-command authority, even if it’s not clear that you do.

Although the legislation creating ODNI limited the authority of the director, a number of people that we interviewed said personal relationships and personalities can make a big leadership difference and help overcome flaws in the law.

Hayden said this was the case when he was CIA director and Michael McConnell was the DNI. The two men had a long history together, saw eye-to-eye on many issues and had a solid working relationship that was aided by the cooperative approach taken by then-Defense Secretary Robert Gates (himself a former CIA director and long-time colleague of both Hayden and McConnell), whose department controlled a large percentage of the U.S. intelligence budget and capabilities.

This was not the case at the start. There were extensive reports detailing how Defense Secretary Donald Rumsfeld influenced the legislation in 2004 to deny the DNI as much authority over intelligence operations and the budgets as originally envi-

sioned, and how he later consolidated his authority and expanded the Pentagon’s traditional intelligence missions. Congressional Quarterly Weekly reported in a Mar. 23, 2007 story that Rumsfeld set up his own parallel intelligence capability and that Negroponte was “no match for Rumsfeld’s hard-nose infighting.”⁸

Former Congresswoman Jane Harman also said those who have held the DNI’s post have lacked the formal clout that they needed, making the job of integrating historically independent and secretive intelligence agencies that much harder.

“Congress intended that the DNI serve as a principal intelligence adviser to the president. This has never really happened,” Harman, the former head of the House Intelligence Committee, said during the June 2011 forum hosted by the Partnership for Public Service and Booz Allen Hamilton.

6 “Homeland Security: DHS’s Actions to Recruit and Retain Staff and Comply with the Vacancies Reform Act.” GAO, Jul. 2007

7 “Homeland Security: DHS’s Actions to Recruit and Retain Staff and Comply with the Vacancies Reform Act.” GAO, Jul. 2007

8 Tim Starks, “New Players, New Hope for Intelligence Comity.” Congressional Quarterly Weekly, Mar. 23, 2007

LESSON TWO

THE SOFT STUFF IS OFTEN THE HARDEST TO TACKLE

Just as chain of command may be a necessary, but insufficient, condition for a successful reorganization, having a clearly defined mission, a solid organizational structure and resources are not enough. The experience of DHS and ODNI suggest that it is the soft stuff, or the intangibles that can be quite consequential—the vision, values and culture that must be embedded in the new organization.

There are two dimensions to these intangibles. First, and most obviously, the leadership needs to lay out the vision for the organization, and communicate the kind of culture and values that will give that vision life. No less important is being sensitive to the legacy cultures and subcultures of merged agencies—their histories and traditions, their rituals and ceremonies, their stories, and how they may comport or conflict with those of the new culture.

These issues can become one of the most potent sources of organizational resistance, especially if those from the merged entities perceive that they are not being respected. Assimilating these legacy cultures requires a change management strategy, and it takes more than words and slogans in a strategic communications campaign. Shaping a new culture requires embedding the desired values and behaviors into the very DNA of the new organization—its personnel policies and practices, its formal and informal incentives, its own ceremonies and rituals.

Loy said that from his perspective, a first order of business was to ensure that the entire DHS workforce fully understood the mission and vision of the new department, and how their jobs fit into the larger framework

“From bottom up and top down, you need clarity of intent that can be documented and communicated,” said Loy.

McConnell agreed. “What is it I’m trying to do? Once you agree to that, get it nailed down and are comfortable with what it is, you have to be very specific about mission, roles and objectives,” he said. “Then you have to turn your attention to values. They are what are going to drive the culture of whatever it is you are either creating or reorganizing.”

Loy said Ridge and about 60 people in leadership positions held an off-site conference during the early days of DHS to “truly understand what the defined purpose of the new department was all about and why.” Although the legislation spelled out specific functions, he said, the group sought to come up with a way to define the mission that would be easily understood by all of the agencies. Like McConnell, Ridge and Loy sought to communicate the *raison d’être* of their new department at a fundamental level.

“Words like ‘awareness’, ‘protection’, ‘prevention’, the notion of ‘a God-forbid event’, ‘response and recovery,’” said Loy. “They became understandable words that everybody in the room could see their work in those words one way or another.”

About a year later, DHS issued its first formal department-wide strategic plan that spelled out the department’s vision and mission, core values and guiding principles.

Vision runs into reality at DHS

But laying out a vocabulary, repeating this mantra and later embedding those core values in the department’s strategic plan turned out not to be sufficient.

For example, Fran Townsend, the former White House deputy national security adviser in the Bush administration and later homeland security and counterterrorism adviser, pointed to the struggles of the department’s nascent domestic intelligence unit, created to thwart another terror attack.

“I watched DHS at various steps struggle with its own identity with the intelligence capability. It just didn’t know what it wanted to be,” said Townsend.

“At various times, it struggled with wanting to be a mini-CIA, as well as assuming an intelligence role as it relates to the state and local components, which is why it had been created,” she said. “Then when it figured out that was its mission, it then struggled for turf with the FBI, which was a much more mature, established organization. That wasn’t very productive.”

This was not the only clash of vision and cultures.

William Jenkins, director of GAO’s homeland security and justice issues, said the poor response to Hurricane Katrina in 2005 was

due to many factors, including the lack of clarity about the roles of the FEMA administrator and the secretary of DHS in leading the response to a catastrophic natural disaster. He said this reflected a general confusion about FEMA's place within a department focused on terrorism, not natural disasters.

"FEMA's resources were diminished during a pre-Katrina DHS reorganization, and a demoralized FEMA staff, many with years of disaster response experience, left FEMA," said Jenkins. "By the time

ified, from the uncertainties created by the reorganization to disruptions, changed assignments, leadership turnover and labor relations issues. Dealing with such concerns, and bringing employees on board can be critical, but requires time, attention and hard work.

Townsend, for example, pointed out that much of the DHS headquarters staff was at least initially detailed from the component agencies. So from the point of view of the staff, Townsend said, questions arose about who people were working for

aware of this fact, and sought to "celebrate that history while creating the new culture around the mission of securing the homeland." Despite their best efforts, there were slip-ups.

Early on at DHS, for example, there was a plan to have common uniforms for the law enforcement side of the department. "I thought the Border Patrol would en masse walk out and quit. They had a proud history," said Townsend.

Sen. Susan Collins (R-Me.) said something as basic as DHS having

““ Having been a career person in the federal government for decades, it really does matter who is responsible for my professional development and my evaluation and my promotion potential and opportunities.”

— Frances Townsend

that Katrina hit, FEMA had almost one in four positions vacant.”

DHS also experienced high levels of employee dissatisfaction, a reflection of what can happen during a major reorganization, and why it is important to find ways to engage employees in the transformation and get their buy-in to the changes and the new mission and value system.

The *Best Places to Work in the Federal Government*[®] rankings, published by the Partnership for Public Service and based on a federal employee survey, placed DHS 29 out of 30 departments and large agencies in the 2005 and 2007 rankings.

The 2005 and 2007 rankings gave DHS low marks in matching employee skills to the agency mission, in teamwork and in effective leadership. The 2010 rankings, the most recent, ranked DHS 28 among 31 departments and large agencies.

There were a number of other reasons why employees were dissat-

isfied and how it would impact their jobs and careers.

"Having been a career person in the federal government for decades, it really does matter who is responsible for my professional development and my evaluation and my promotion potential and opportunities. So when you are detailed outside your home agency, you immediately feel sort of at risk," said Townsend. "It's the 'who's my daddy' problem."

"There was a lot of uncertainty to that and it took a lot longer at DHS to sort through than anticipated," said Townsend. She said issues like this are not always avoidable, but suggested that leaders need to "anticipate and plan for it" if they want to speed the transformation process.

Hale, the first undersecretary for management, said the agencies brought into DHS such as the Coast Guard, Customs Service, Secret Service and many others had their own traditions and cultures. She said Ridge and other DHS leaders were

a functional headquarters building that could house most or all of the component agencies was lacking, and slowed progress in creating common ground. She said DHS agencies even today are spread out all over Washington, with the headquarters located five miles from the White House in a cramped and austere complex of buildings once used by the Navy. Having a real headquarters or campus, Collins said, would have made a big difference right from the start.

"I think it would have helped unify the culture. It would have improved communication among the agencies because they would have been similarly situated and it would have fostered an identity," she said.

ODNI builds its workforce culture

At ODNI, Sanders said the leadership did not try to alter the traditions and core values of the various intelligence agencies. But he said ODNI worked hard to develop a broad

TIMELINE

THE STANDUP OF DHS & ODNI

Sept. 11, 2001-Al-Qaeda **terrorists hijack four passenger airliners**, crashing two into the World Trade Center in New York City, a third into the Pentagon and a fourth plane near Shanksville, Pa., killing more than 3,000 people.

Sept. 20, 2001-**President Bush addresses Joint session of Congress** in response to 9/11 attacks.

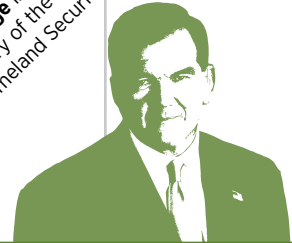
Oct. 8, 2001-**President Bush establishes the homeland security office** to coordinate a national strategy to safeguard the country against terrorism and appoints Pennsylvania Governor Tom Ridge as director.

Nov. 19, 2001-President Bush signs the Aviation and Transportation Security Act, creating the **Transportation Security Administration**.

June 18, 2002-President Bush signs a proposal to Congress to create a **Department of Homeland Security**.

Nov. 22, 2002-Congress approves the **Homeland Security Act of 2002**, creating a new Cabinet-level department, and the president signs bill into law three days later.

Jan. 24, 2003-**Tom Ridge** is sworn in as the first secretary of the Department of Homeland Security (DHS).



DHS



July 22, 2004-National Commission on Terrorist Attacks Upon the United States, better known as the 9/11 Commission, proposes sweeping changes in the Intelligence Community, including the creation of a **national intelligence director**.

ODNI

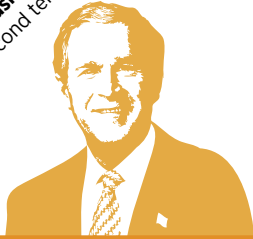
2001

2002

2003

2004

Nov. 2, 2004-**President Bush** is re-elected to serve a second term.



Aug. 29, 2005-**Hurricane Katrina** hits the Gulf Coast, exposing DHS disorganization. Michael Brown, head of the Federal Emergency Management Agency, part of DHS, resigns in September.

Nov. 4, 2008-**Barack Obama** is elected president of the United States.



May 2, 2011-Al-Qaeda mastermind **Osama bin Laden** is killed by elite team of CIA officers and Navy Seals in Pakistan.



Feb. 15, 2005-**Michael Chertoff**, a federal judge and former prosecutor, is sworn in as the nation's second Homeland Security secretary, replacing Ridge.
Mar. 16, 2005-Chertoff announces plan to reshape DHS so that it focuses more attention and funds on the **highest-risk areas**.

Jan. 21, 2009-**Janet Napolitano** was sworn as the third secretary of DHS.

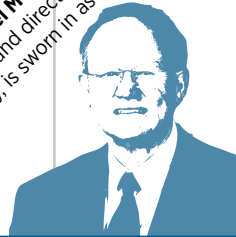


Dec. 8, 2004-**The Intelligence Reform and Terrorism Prevention Act** of 2004 is approved by Congress and signed by the president on December 17, creating the new director of national intelligence and a counterterrorism center to integrate and analyze terrorism information about national security threats.



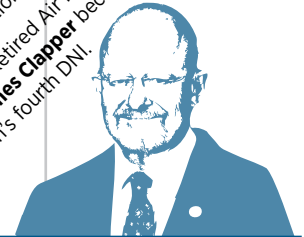
April 21, 2005-**John D. Negroponte**, ambassador to Iraq, is sworn in as the first director of national intelligence (DNI), and Lt. Gen. Michael V. Hayden, USAF, is sworn in as first principal deputy DNI. ODNI began operations the next day.

Feb. 20, 2007-**Michael McConnell**, Navy vice admiral and director of the National Security Agency, is sworn in as the new DNI.



Jan. 29, 2009-Retired Navy **Admiral Dennis Blair** assumes role as the nation's third DNI.

Aug. 5, 2010-Retired Air Force Lt. Gen. **James Clapper** becomes the nation's fourth DNI.



2005

2007

2008

2009

2010

2011

sense of shared mission among the agencies and sought feedback regarding a core set of principles that could be accepted over time across the community and further the goal of integration.

“So we came up with a common core set of values—courage, collaboration and commitment—that didn’t supplant those of the individual agencies, but were intended to be overarching,” said Sanders. “We then built them into the appraisal system, and now people are evaluated on whether they demonstrated these core values.”

He also said ODNI developed a set of medals, awards and decorations that were given to people who demonstrated these values, noting that such an effort may seem trite, but had a “psychic value that was off the charts.”

Even as it sought to create a sense of unity and common values and culture among the nation’s intelligence agencies, ODNI’s employees suffered from their own identity crisis. Given the need to stand up ODNI quickly, find the right people, clarify authorities, break down resistance and develop working relationships throughout the intelligence community, ODNI’s own organizational identity and culture became problematic.

McConnell said that when ODNI was being set up, a call was put out to the intelligence community and other federal agencies: “We need people, so everybody come.” The former DNI said the result was that “we got people who knew nothing about intelligence, absolutely nothing, but they showed up because the word on the street was, ‘If you’re a GS-13 and you want to be a GS-14, ODNI is hiring.’”

McConnell said “the lesson is to be very selective in who you hire and retain,” and “work through the cultural issues.”

Sanders had a slightly different take. He said many people who came

to ODNI were seen as expendable by their own organizations or were frustrated by their jobs. In such situations, Sanders said, “you may not get the best people, but you also get revolutionaries.”

“You have people who want to change things,” he said. “They hadn’t been very good at that where they were. Sometimes that was because there was so much bureaucracy that they couldn’t do it.”

“You got people who went to DHS headquarters who wanted to help stand up this great, brand new department and save the country. It was the same thing at ODNI. They weren’t necessarily the best, but again, if there is a choice between mind-set and skill set, I’ll go for mind-set.”

Intelligence community (IC) employees were vague on ODNI’s role

As the leaders of ODNI worked to inculcate that vision and new culture, they faced many difficulties.

In November 2008, for example, ODNI’s inspector general said employees still did not have a clear sense of direction, were confused about the lines of authority and felt the responsibilities of different intelligence agencies overlapped.

“The majority of the ODNI and IC employees (including many senior officials) whom we interviewed were unable to articulate a clear understanding of the ODNI’s mission, roles, and responsibilities with respect to the IC. ODNI employees voiced confusion about the lines of authority within the ODNI,” the inspector general said.⁹

The lack of understanding and buy-in, the inspector general suggested, stemmed in part from the “lack of clear communication to

the IC of the ODNI staff’s authorities.” The inspector general said this lapse “encouraged some agencies to go their own way, to the detriment of the unified and integrated intelligence enterprise” envisioned by intelligence reform law.

Joint duty used as a means of creating a common culture of collaboration

One means to change the culture and mind-set at ODNI was to attempt to build an intelligence community workforce that would not be insular, and that would more readily share information and collaborate across agency lines. To that end, Congress mandated that the DNI set up a civilian version of the military’s concept of joint duty. This was based on the premise that individuals could not move up in the senior ranks of the intelligence community unless they worked for a time outside their own agency or took part in a joint activity with another intelligence unit.

Sanders said this proposal went through a two-and-a-half-year gestation period and was initially met with resistance because of ambiguous statutory authorities, but key personal relationships between McConnell, Gates, Hayden, and James Clapper, the Pentagon’s undersecretary for intelligence, broke that legal logjam, and the program was implemented in 2007 with the signing of an inter-agency treaty.

Despite questions over whether the DNI could actually enforce the terms of that agreement, Sanders said the program has made headway toward creating a common culture of collaboration in the intelligence community. He said it covers the community’s entire senior executive and senior professional positions, with more than 12,000 professionals earning joint duty credit as of 2010.

⁹ Edward Maguire, “Critical Intelligence Community Management Challenges.” Office of the Director of National Intelligence, Office of the Inspector General, Nov. 12, 2008

LESSON THREE

MANAGEMENT IS CENTRAL TO MISSION

When it comes to priorities, reorganization leaders tend to put mission first, second and third. That was especially the case with DHS and ODNI, where our nation's security was at risk. In the early days, that focus necessarily came at the expense of developing integrated management processes and systems, a phenomenon we have observed even in reorganizations of lesser consequence.

Legacy processes and systems, like legacy cultures, preserve and perpetuate the old order, and while they may have worked well in the past, they can act as an organizational drag on the new enterprise. And those processes and systems matter. They deal with critical issues such as who gets resources (dollars and staff), what gets purchased, who gets promoted, and perhaps most importantly, who gets to make those decisions. If a reorganization is to succeed, these must be reengineered, and sooner rather than later, not just for the sake of greater efficiency, but specifically in furtherance of the new order.

This means that the leaders of a new or reorganized department must pay special attention to the basic management functions—areas like procurement, information technology, human resources and financial operations—that are critical to a well-functioning organization and the ability to effectively carry out policy.

Leaders need to use every lever possible to create an integrated, enterprise-wide approach, by tying

management and business systems together, finding ways to communicate across boundaries to the entire department, and using personnel flexibilities, incentives and other authorities to further the goals of the reorganization. This requires discipline around reorganization, and holding people accountable not only for operational goals, but management goals as well, they said. The process can be aided by a strong implementation team for the day-to-day management of the transformation with the authority and resources to help set priorities, make timely decisions and move quickly to implement decisions.

While well aware of these basic principles, the leaders of DHS were strapped for time, resources and staffing, and often subject to circumstances beyond their control that inhibited their ability to get the management systems right.

Collins, one of the sponsors of the DHS law, said Ridge was trying to stand up the department in the middle of a crisis, and “didn’t have the luxury of doing a slow roll out with every ‘i’ dotted and ‘t’ crossed and people in place and technology and headquarters all set up.”

“We had to move the agencies lock, stock and barrel into the new department and there was a lot of resistance. So that exacerbated the problems,” she said.

Ridge made the same point to National Public Radio in January 2008. “We had little time to begin the integration process that is necessary for any such aggregation of people and

assets and technology,” Ridge said. “If we [had] been the private sector, we probably would have had a year or a year and a half.”¹⁰

DHS headquarters poorly organized

McHale said that once DHS came into being, there were constant battles at headquarters about how to divide responsibilities and functions of many of the merged agencies even though there had been a basic plan in place. He said the task was complicated by the decision to break apart and rearrange functions of the Customs Service and the Immigration and Naturalization Service by creating three new agencies—Immigration and Customs Enforcement (ICE), Citizenship and Immigration Services (CIS), and Customs and Border Protection (CBP).

“A huge part of the problem that DHS faced in its first three years is that it hadn’t got itself organized as a department, while there was still chaos in the agencies below it,” McHale said. “You need to focus on the headquarters operation first rather than dismantling and reorganizing the entities that are coming in. It’s fine to transfer functions and fold entities into a new organization, but don’t start fiddling around with them until you really understand each of those organizations.”

Hale, the undersecretary for management, said DHS executives were simultaneously trying to settle on the structure of the new department,

¹⁰ Pam Fessler, “DHS Still Dogged by Questions Over Effectiveness.” NPR, Jan. 14, 2008

decide what new positions should be created and the responsibilities that would accrue to those jobs, and then fill these slots with capable people—all time-consuming endeavors. During this time, she said, important policy decisions were being made, new programs were created and budget expenditures were being prioritized, all as the department was responding to various crises.

“We were involved in a merger, acquisition, dot-com startup and international conglomerate all at once,” said Hale. “We had to figure out which fires to put out first.”

Hale said she came to the job as undersecretary for management with “no department-wide set of services” available to the merged agencies. She said the early days involved dealing with the basics, including getting the list of all 180,000 employees who were transferred into the department and making sure they were paid. She said they had to determine all the assets and the services that were coming to the department and negotiate memorandums of understanding with each component of what functions would be taken over and which would stay in the old departments and for how long.

“There were over 2,000 different services provided by different organizations that needed to be reconciled, and a process created to integrate them into the department,” said Hale. She said it took three years to sort out the transfer and payment of services from the sending departments to DHS.

According to Allen, at the Coast Guard alone there were over 170 line items to adjudicate between DOT and DHS, “everything from how we obtained passports to telephone switching systems to running the shuttle to the Metro and working capital funds.”

Allen also pointed out that various components of DHS were at different stages of their life cycles

and had quite different management needs.

“Some, like Secret Service and the Coast Guard, were moved fully intact. Others such as Customs and Border Protection, and Immigration and Customs Enforcement were merged from legacy Treasury and Justice Department agencies,” he said. “Some were made out of whole cloth such as the Domestic Nuclear Detection Office and the Office of Science and Technology Policy, where people were asking, ‘Where is my desk, where is my cell phone, do I have a pager, where do I park, what’s my zip code?’” “The challenge was blending cultures, work rules and management structure,” Allen said. He said the process was exacerbated by the lack of an “integrating implementation team at the department.”

At TSA, McHale said a set of implementation plans were developed when it was first created after 9/11, but these plans were disrupted when it moved from DOT to DHS.

“We had a plan just to get through the first year, which was to meet all of these congressional deadlines. Then we had plans for two to three to four years out,” said McHale. “And I think it’s fair to say that the plans for years two, three, and four were all delayed by at least 12 months because of the creation of DHS.” He said this was the result of the new DHS management overseeing TSA, additional congressional committees having a say over what was taking place, funding challenges and a variety of other factors involved in the merger that disrupted forward progress.

There were other basic practical management problems that were difficult to overcome, including coordinating the department’s policy positions among the various component agencies.

“When we saw the homeland security law, we didn’t even have a policy shop to stand up. So what happened? We had little policy shops,

you know, popping up all over the department,” said Loy. “It took four years before Congress authorized a policy organization.”

While the range of issues and management challenges facing DHS were enormous, Loy said that he and Ridge tried to create a disciplined agenda that distributed responsibility and accountability. But he added that there always were distractions or a crisis that sidetracked plans for some temporary period of time.

“It’s your ability to get back on the path that is really important,” he said. “So the notion of a strategic planning process must be inherent in your organization.”

But even by early 2007, the Government Accountability Office (GAO) said the DHS strategic plan still did not link resource requirements to goals and objectives, and did not involve key personnel to ensure that resources were being used to address the highest priorities.¹¹

Another early setback for DHS was the inability of the leadership to allocate resources for capital investments and personnel expenditures, or even understand the true cost of operations.

Richard Stana, director of homeland security and justice at GAO, said agencies came into DHS with different levels of competence and fighting among themselves for budget dollars. To the detriment of the organization, there was little management discipline in this regard.

“And instead of DHS senior executives directing resources where they should have, they allowed the agency heads to fight it out a little bit more than they should have,” said Stana.

11 “Homeland Security: Management and Programmatic Challenges Facing the Department of Homeland Security.” GAO, Feb. 6, 2007

DHS management functions had serious flaws

DHS faced serious problems right from the start with its financial, procurement, information technology and human resources operations because of the merger. None of these systems were fully integrated within and across the department or its components. The task of unifying systems would have been difficult under any circumstance, but it was made more challenging because a number of the components, including INS, TSA, the Customs Service, FEMA and the Coast Guard, brought with them at least one major problem such as strategic human capital risks, information technology management issues, or financial management vulnerabilities.¹²

On the human resources side of the equation, managers had to reconcile 15 basic and 12 special pay systems, 10 hiring methods, eight overtime pay rates, seven different payrolls and benefit systems, five locality pay systems, 19 performance management systems and 17 unions.

Loy said he worked very hard to ensure that acquisition, IT and human resources were run efficiently and effectively.

“We were making a very concerted effort in the new organizational structure to allow that to become just as much a part of this identity of one team, one fight as the mission-accomplishment stuff on the front page,” said Loy. “In the back room, I became sort of the prince of broken crockery, because I had to break a lot of crockery to convince agency heads and elements in the new organizational structure that optimizing utilization of taxpayer dollars was part of our responsibility.”

Hale said there were 10 major milestones important for the inte-

gration and transformation of the department—back office functions such as financial management, the human capital system, finding a permanent headquarters and enterprise architecture for the information technology. She said she had teams working in each of these areas. Unfortunately, she said, the issues were complicated and took longer than many would have liked.

But even after two years, the GAO reported that DHS did not have “a strong and stable implementation team for the day-to-day management of the transformation.” The GAO said such a team was needed with the necessary authority and resources to help set priorities, make timely decisions, and move quickly

to implement decisions.”

The GAO pointed out that DHS established a Business Transformation Office by the spring of 2005, but at that point it said the office was “not currently responsible for leading and managing the coordination and integration.” It said DHS agreed with the finding.¹³

As it began operations, DHS faced management dilemmas at every turn.

For example, on the human resources side of the equation, managers had to reconcile 15 basic and 12 special pay systems, 10 hiring methods, eight overtime pay rates, seven different payrolls and benefit systems, five locality pay systems, 19 performance management sys-

tems and 17 unions. The expectation was that the new personnel systems would be rolled out within months after DHS began operations, but it ended up taking some two years to even begin phasing in some of the new processes.¹⁴

Part of the reason was that the department found itself in difficult battles with employee unions over workplace rules, including disputes over pay, personnel and disciplinary systems that resulted in strained relationships and litigation that at first delayed and subsequently altered some of the proposed plans.

The leaders of DHS also tried to bring coherence to the department’s information technology systems, but the task proved quite difficult.

“Because they didn’t set up a separate implementation team and structure to manage the department and run the small stuff at the bottom, the chief information officer got called when a senior leader’s BlackBerry didn’t work,” said Allen. “You’ve got the CIO that probably needs to be thinking about how they are going to share intelligence on the border and TSA screening actually having to manage setting up the phone system, get pagers and BlackBerries. You needed the equivalent of a mission support command. They didn’t have one.”

Allen also said that building department-wide IT systems takes resources. But instead of seeking

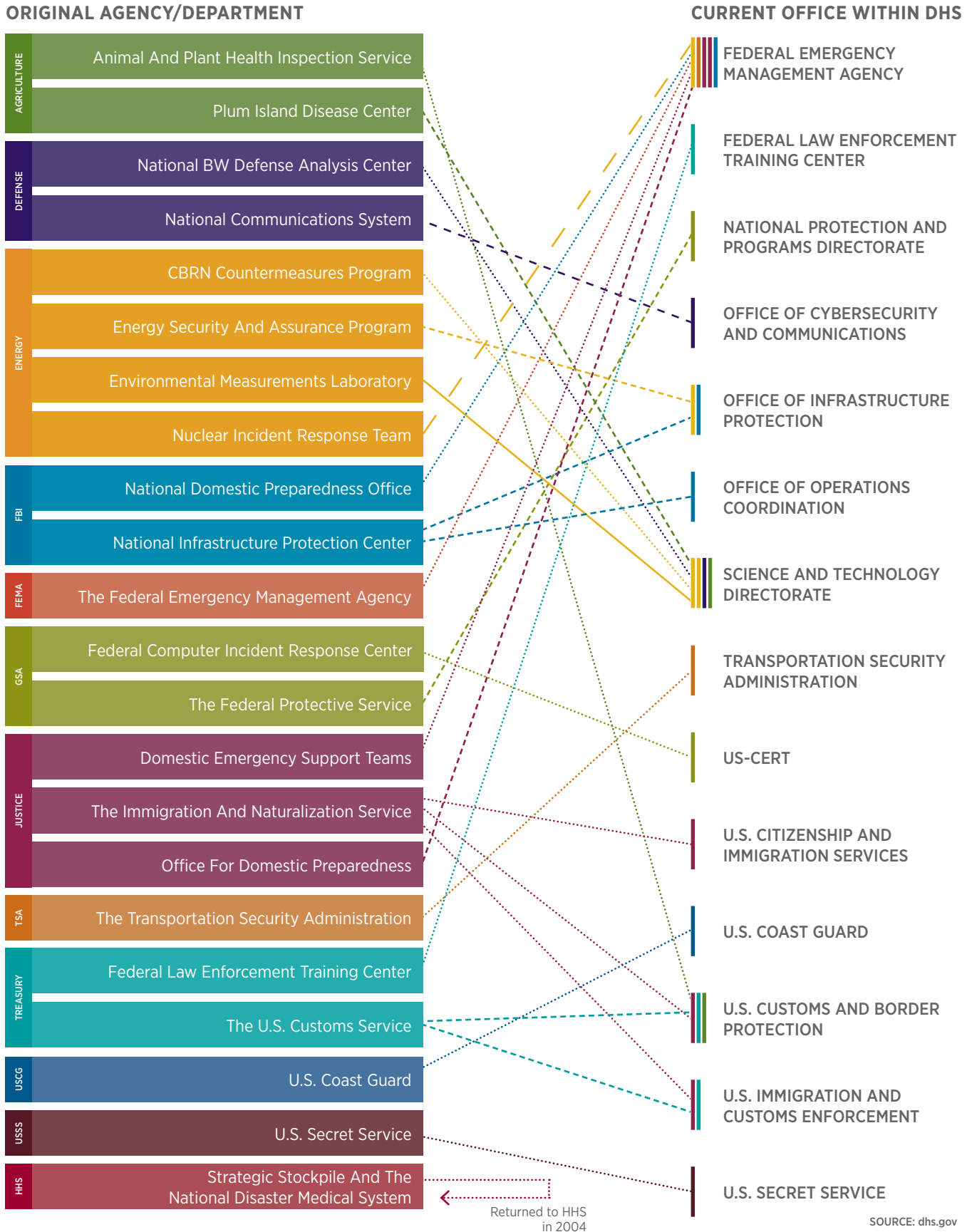
12 “Homeland Security: Management and Programmatic Challenges Facing the Department of Homeland Security.” GAO, Feb. 6, 2007

13 “Homeland Security: Overview of Department of Homeland Security Management Challenges.” GAO, Apr. 20, 2005

14 Harold C. Relyea, “Homeland Security: Department Organization and Management—Implementation Phase.” CRS Report for Congress, Jan. 3, 2005

FIGURE 1
Who became part of the Department of Homeland Security (DHS)?

DHS merged 22 agencies and 180,000 employees in an effort to protect against threats to the nation's safety and security, including preventing another terrorist attack.

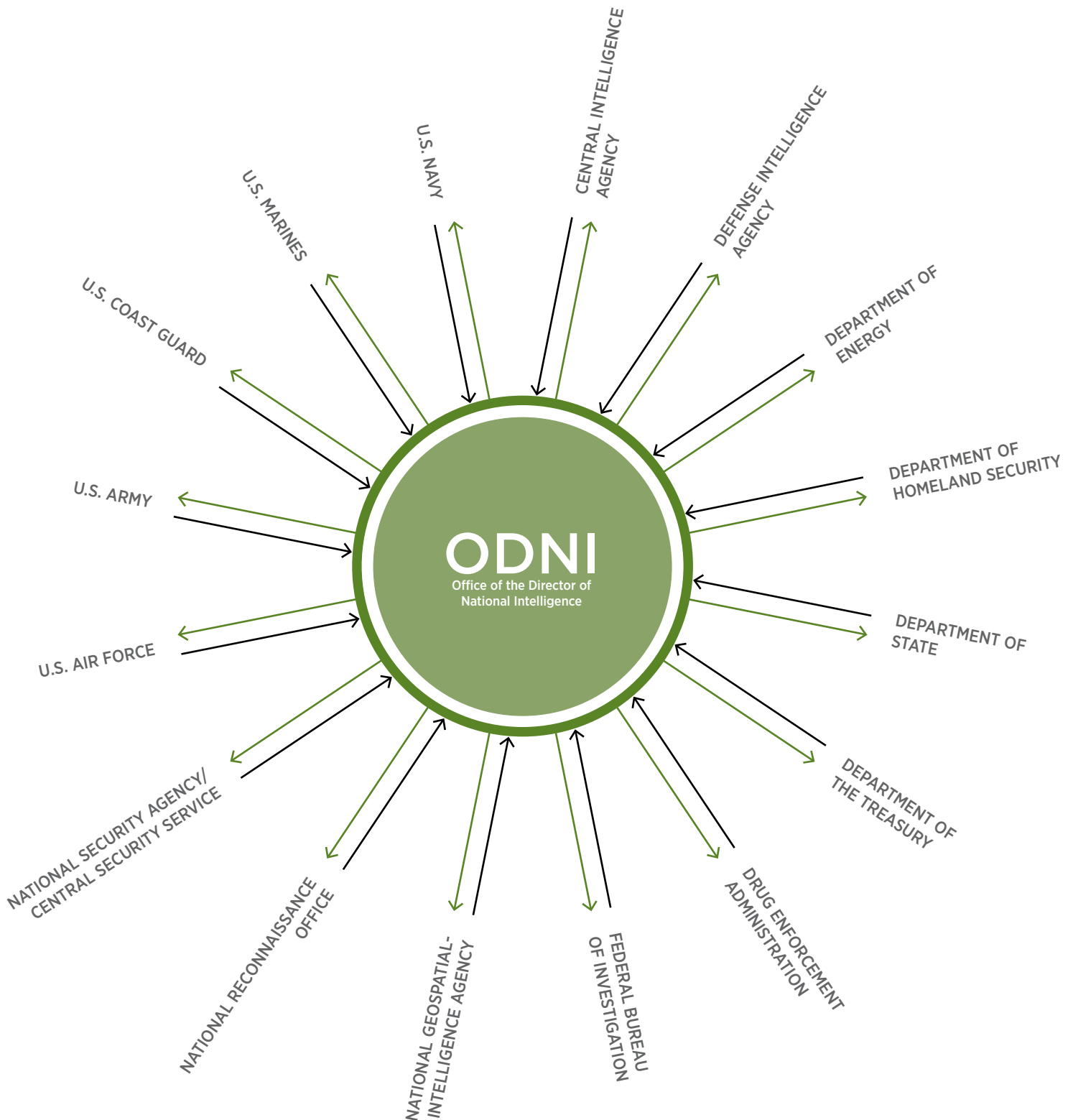


SOURCE: dhs.gov

FIGURE 2

Who became overseen by the Office of the Director of National Intelligence (ODNI)?

ODNI was created by Congress to oversee and help coordinate the work of 16 separate intelligence agencies that traditionally operated independently and did not share information. ODNI is headed by a director of national intelligence, who is designated as the president's chief intelligence officer.



SOURCE: dhs.gov

additional funds to assist DHS in improving its information technology systems, Allen said the Office of Management and Budget proposed “taking \$100 million, collectively, off all the agencies for IT consolidation savings.” He said this was counter-productive.

Hale said the CIO initially had to obtain an inventory of all the systems used by the department’s 22 agencies and begin to prioritize those that needed to be upgraded, retained or replaced, a process that took time. Hale said it was essential to understand the business reasons behind each legacy system and approach. She said the leadership didn’t want to make information technology decisions without understanding the full implications of each move, which often involved hundreds of millions of dollars and important missions, such as keeping track of people crossing the borders or boarding airplanes.

At TSA, McHale said one of the problems they faced was a procurement staff that was too small for the enormous workload, resulting in junior contract officers each handling hundreds of millions of dollars in business. “The result was something that always has to be avoided, which was we had contractors supervising contractors supervising contractors,” he said.

Duncan Campbell, chief of staff to Ridge, said the need to prevent another terror attack always took precedence over basic management issues. “So I know on days we were raising the threat level, I wasn’t devoting any of my time to ensuring we were thinking about the procurement system,” said Campbell. “Nothing else mattered other than keeping us safe. So it had to take the priority.”

DHS also had problems on the financial side of the ledger.

When Jackson came to DHS as deputy secretary in 2005, he met with the chief financial officer, the undersecretary for management and

the inspector general, and told them he wanted to have a clean financial audit the following year. Jackson said he was “laughed out of the room.”

“I was told it’s too complex and there’s too much broken and it will take too much money and too much time, and that we would not get there for many years,” Jackson recalled.

Chertoff said part of the problem integrating the management systems at DHS was the “resistance from the components to give up their control over their own IT and their own finance and their own procurement.”

“And part of the difficulty is recruiting people to do these jobs, because now you have a lot of competition in the private sector,” he said.

ODNI faced procurement, IT and financial management challenges

Although quite different from DHS, ODNI has also had difficulties bringing about the integration of some key management functions for the intelligence community.

The 2008 inspector general’s report cited earlier found “a widespread need for improved management oversight in the acquisition process.” It said ODNI’s acquisition oversight efforts, which were one of the management authorities most hotly contested by the other Cabinet departments in the intelligence community, lacked formal policies and processes, and suffered from instances of noncompliance, cost and schedule overruns.

In addition, the report said ODNI had not been able to deal with many financial inadequacies plaguing the intelligence community, including a lack of a comprehensive financial management strategy, unreliable, disparate and antiquated financial systems as well as internal control weaknesses.

It also said the intelligence community’s IT systems were “largely disconnected and incompatible,”

operating on “multiple networks that lack interoperability and had no standard architecture supporting the storage and retrieval of sensitive intelligence.”¹⁵ These involved management processes, systems, and authorities jealously guarded by the other Cabinet departments, further hampering ODNI’s integration and coordination efforts.

Officials at ODNI were well aware of these problems, and set goals and timetables to deal with a range of issues that included improving business practices, technology and acquisition.

Collins, however, said one of her biggest surprises regarding ODNI was how “difficult it has been across the intelligence community to work out the information technology, just the technology, much less the information-sharing protocols.” The senator said there are no integrated search capabilities, and people still are not getting access to information they need.

15 Edward Maguire, “Critical Intelligence Community Management Challenges.” Office of the Director of National Intelligence, Office of the Inspector General, Nov. 12, 2008

LESSON FOUR

WHILE STRUCTURE IS IMPORTANT, THE ORGANIZATION'S SUPER SYSTEM MAY BE MORE SO

If the experiences of DHS and ODNI are any guide, the success or failure of reorganization may depend on dynamics and relationships, formal and otherwise, that transcend the immediate borders of the new department or agency.

When new government enterprises are created, the architects often concentrate on the nuts and bolts of the organization itself, and do not look holistically at the broader political environment. But a new department or agency will not exist in a vacuum. It operates as part of a super system of sister departments, White House councils, czars and congressional oversight committees. While these institutional actors are rarely taken into account by those who create a new agency, they can have a profound impact on those charged with building and running a new organization.

This means that those chosen for leadership positions at a new department or agency should have the skills to navigate the federal bureaucracy, operate in the Washington environment and understand change management of complex organizations.

Perhaps the most striking example of that impact of the political forces can be found in the crazy-quilt congressional oversight of DHS, a legacy that reflects and perpetuates the fragmentation of responsibility within the executive branch that led to 9/11. The current congressional arrangement mirrors the old order, not the new alignment, and in doing so preserves long-standing back-

channels to Capitol Hill that potentially dilutes the formal authority of the DHS secretary.

The Intelligence Reform and Terrorism Prevention Act of 2004 also left unresolved the fledgling ODNI's relationship with its super system—the agencies and elements of the intelligence community, and more importantly their parent Cabinet departments. Indeed, the law preserved the various management authorities of the intelligence agencies over critical levers such as personnel and budget, even as it vested overlapping authorities in the DNI.

The result has been ambiguity and bureaucratic friction, and made the success of the DNI largely dependent on personal relationships within the government, particularly when it comes to the president.

Approximately 88 Capitol Hill committees and subcommittees have authority over DHS, and there has been no move toward consolidation of the oversight.

While access to the president can equal influence, White House czars, special assistants for homeland security and counterterrorism, and entities like the Homeland Security Council all affect that access in both formal and informal ways, and can impact the effectiveness of the reorganization. Whether they have the ability to change or influence this important dynamic, those who cre-

ate and run these new government entities must be aware of the super system, how it may affect their plans and what it may take to succeed.

We examine these often powerful political forces that sometimes were manageable and at other times were beyond the control of those running DHS and ODNI.

Congress restructured the executive branch, but failed to reform itself

There was broad agreement among those we interviewed that the reorganization of an agency or department requires simultaneous congressional reform, meaning Congress should consolidate or rearrange its own oversight responsibilities to conform to the new organizational structure of the executive branch. The reason, they said, is to

create more focused oversight and direction, and to minimize conflicting demands that can come from multiple Capitol Hill power centers.

Unfortunately, Congress has been reluctant to change the way it does business, and the committees and their chairman have been unwilling to cede jurisdiction and power to mesh with the executive branch changes.

Collins, one of the authors of DHS legislation, said the “single biggest failure” and “disappointment” dealt with the inability of Congress to undertake its own reorganization. Approximately 88 Capitol Hill committees and subcommittees have authority over DHS, and there has been no move toward consolidation of the oversight.

“There are a proliferation of congressional subcommittees and full committees that have a piece of the department. That complicates the authorization process and complicates prioritization of programs and the funding,” Collins said.

Collins said that she and Sen. Joseph Lieberman (D-Conn.) brought the congressional reform issue to the Senate floor during the 2002 DHS legislative debate, but encountered “tepid support from the leadership.” She said they badly lost the legislative fight, and today she sees no movement for such reform.

Chertoff said the large number of congressional committees with jurisdiction over DHS was a distraction for him and the functioning of the department. “It’s not just the amount of time spent on reporting, it’s the conflicting direction,” said Chertoff.

“In the House, in particular, a committee would call leaders up, and they’d be kind of berating them, ‘Why aren’t you doing x, y and z?’ And then they would go in front of the Homeland Security Committee, and they’d say, ‘Why are you doing a, b and c,’” recalled Chertoff.

The 9/11 commission recommended that Congress create one permanent committee in the House and one committee in the Senate for the oversight of homeland security. It said the fragmented nature of the oversight was “perhaps the single largest obstacle impeding the department’s successful development.”

The commission also recommended intelligence oversight should be conducted either by a

joint House and Senate committee or single committee in each house of Congress that combined the currently separate authorizing and appropriations authorities. As in the case of DHS, these proposals were never adopted.

Testifying before the Senate Homeland Security and Governmental Affairs Committee on Mar. 30, 2011, Lee Hamilton, who served as vice chair of the 9/11 commission, said streamlining the “fractured” congressional oversight would “advance the unity of effort in the intelligence community and within DHS.” He said both DHS and the intelligence community have made substantial progress since the reorganization, but he warned there is “a tendency towards inertia in all bureaucracies and vigorous congressional oversight is just imperative to ensure that they remain vigilant and continue to pursue needed reforms.”

Getting the legislation right

The enabling legislation that establishes a new agency or department can lay out the basic organizational structure, provide flexibility or restraints, and outline the authorities that can greatly influence what can and cannot be accomplished. While it’s helpful to have a solid organizational chart, many of the leaders we talked to said that it was even more important to have flexibility to implement a reorganization in terms of issues like personnel, budget and procurement, and to have sufficient authority to carry out the mission.

The legislation establishing ODNI to a large degree limited the authority of the DNI over budgets and personnel—a judgment made following a congressional battle between those who wanted a stronger director and those who sought to maintain the Defense Department’s prerogatives over a large part of the intelligence community.

Hayden said the forces at play during the ODNI legislative debate

involved balancing two important requirements for the intelligence community—having “unity of effort for the whole and autonomy of action for the parts.” He said the judgment was made after 9/11 that there was too little cooperation and coordination among the intelligence agencies, and that the balance had to shift in that direction of “unity of effort.”

“And that’s what the legislation tried to do. That is very hard. It got shot at from left and right as it moved through the Congress, and came up at least a brick shy of a load in terms of what it was they had intended to do,” said Hayden. “So we ended up with new structure that had the opportunity for more glue, but didn’t make it inevitable.”

Townsend said ODNI was “a little bit hamstrung by its own statute” because it “didn’t have the teeth to it that people had really advocated” in terms of authority over the budget and personnel.

“I think it was hobbled by that from the very beginning. As a result, the power of the position depends on the DNI’s personality and own presence, and his relationship with the president,” said McConnell, speaking at the Partnership forum, in agreement with this view. He said the final legislation gave the DNI less authority over how intelligence community money is spent and the ability to direct the movement and promotion of personnel than initially envisioned—a result that was in large part due to former Rep. Duncan Hunter (R-Calif.), who had served as chairman of the House Armed Services Committee, and who agreed with the views of Defense Secretary Rumsfeld.

“Hunter chaired the committee overseeing defense, so the primary focus was to protect the authorities of the secretary of defense,” said McConnell. “If you look at the community, about 65 percent or so of the resources are in the Department of

Defense, and they are Department of Defense agencies. So the whole effort was to protect the secretary's priority and to not allow the DNI to have a voice."

He said this affected the DNI's power in many ways, including blocking his ability to mandate that those seeking to be promoted to senior ranks in the intelligence community have an assignment outside their home agency.

So we wanted to do joint duty in the community, and the way the law was written, it said I had to prove that I was not usurping the power of a Cabinet officer before I can do that," said McConnell. Because the DNI has no mechanism to enforce the joint duty requirement, McConnell said, it has not been as effective a tool as it could be in promoting community integration and cooperation.

out his responsibilities under this executive order and under statute, shall not impinge upon the authorities of Cabinet-level officials," said Hayden. In other words, the super system managed to preserve the ambiguous status quo.

Congress: ally or antagonist?

Members of Congress can be allies or make life difficult for any agency leader, and getting support in the early life of a new agency can be quite helpful.

McConnell said a smart legislative strategy is not to view lawmakers as the enemy, but to cultivate and engage them, and build allies.

"I see the Hill as a source of money, and if you're going to be successful, you've got to have money. I'd rather go up and make my case and have a relationship and be trusted

No one's going to vote for that. But it's easy to cut your IT budget or your management budget or your finance budget," Chertoff said. "And what's ironic is when they do that as a way of complaining that you're not managing the department efficiently. They say you're not managing procurement, so we're going to cut your procurement staff so you can manage it less well. That was a persistent problem."

A number of those we interviewed also cautioned that leaders of a reorganization should not to expect instant success or create unrealistic expectations in Congress once a new agency opens its doors or hold out the promise of saving money right from the get-go. They suggested having a long-term strategic plan and priorities, and establishing a small set of achievable short-term



I see the Hill as a source of money, and if you're going to be successful, you've got to have money. I'd rather go up and make my case and have a relationship and be trusted instead of treating them like the bad guys."

— Admiral Michael McConnell

Hayden, McConnell and others sought to place a new interpretation on the law and enhance the DNI's overall power by revising the 1979 Executive Order 12333 that governs roles, missions, and relationships among the intelligence community agencies and elements. The revisions would have said that "the DNI shall be presumed not to be impinging on the authorities and the prerogatives of Cabinet level officials" in carrying out his duties. But they lost this battle when the other departments, from staff lawyers all the way up to Cabinet secretaries, protested this as an incursion on their authorities.

"The final version that was agreed to simply said, 'The DNI, in carrying

instead of treating them like the bad guys," said McConnell. "If they see you as an honest, trusted adviser who will speak truth to power, they are much more willing to engage with you and meet you half way."

But this tactic does not always work. Chertoff said he was often pulled in many different directions as he sought to do his job and allay legislative concerns, and had occasions when lawmakers were so unhappy with a particular policy or decision or breakdown that they sought to punish his department through the appropriations process in ways that were counterproductive.

"They are not going to cut back on the Border Patrol by 1,000 people.

goals that can be presented to Congress as marks of progress and that can be built upon in the future.

The role of the president is crucial

Any leader trying to deal with a complex reorganization will need the backing of the president in terms of resources, personnel decisions and during both internal and external political disputes. It always helps, but is not always possible, to have access to the president in key situations and to try and leverage that backing to further the reorganization and mission of the new organization. Yet even with direct access to the president, Ridge found that various interveners in the super sys-

tem, from White House staff to other Cabinet secretaries, could undercut his agenda and effectiveness at DHS.

During the Bush administration, for example, the handling of the terror threat became a central theme in the 2004 presidential election, and this played itself out in a number of ways regarding the role of the DHS.

Loy said the White House at times sought to micromanage the department. As deputy secretary, Loy said, he was called monthly to the Office of Management and Budget to confer with Clay Johnson, a top Bush lieutenant, and “report on about 1,000 things.”

“Can you imagine the staff work attendant on the department’s end of composing the report that I had to go verbalize and make to Clay?” said Loy.

In *The Test of Our Times*, Ridge’s book about his tenure as homeland security adviser and DHS secretary, he asserted that he did not have the kind of clout that he needed at the White House. For example, Ridge said he lobbied the White House prior to Hurricane Katrina to replace Brown as head of FEMA and to open a homeland security regional office in New Orleans, but was rebuffed in his effort to assert authority over his own department and its operations.¹⁶

In addition, Ridge wrote that when disputes between DHS and the Department of Justice came to the attention of the White House, he usually lost the battles. He cited as an example his effort to change the name of the Bureau of Immigration and Customs Enforcement to the Bureau of Investigations and Criminal Enforcement as a way of unifying the law enforcement components, but was overridden after Ashcroft and FBI Director Robert Mueller protested to the White House. He

also wrote that he was often kept in the dark by the FBI on some information, and would “occasionally get blindsided at my daily, morning meetings with the president” when he would ask about something he had learned and “I often hadn’t a clue what he was taking about.”

McHale said the White House also intervened on behalf of the Secret Service after Ridge made the decision that all DHS criminal investigative authority would be controlled through ICE, meaning that the Secret Service would lose its authority to investigate counterfeiting and some financial crimes.

“That lasted about a week,” said McHale. “Ralph Basham, the director of the Secret Service, made one phone call, and the secretary got one phone call, and that decision was reversed.”

DHS regional plan undercut by forces from within and without

Ridge also found it difficult to corral activities taking place outside the Beltway, with many of his agencies having different states and locations comprise their regional structure. FEMA, for example, had 10 regions, while CBP operated with 20 patrol sectors and 17 management centers. The Coast Guard maintained five districts while CIS had three.

Ridge wanted DHS to have unified regions throughout the country for DHS components and provide a single contact point for state, local and private sector interactions with the department. Others from within the component agencies, the White House, and Congress did not share the same aggressive interest in organizing the department regionally, and the plan remained on the shelf.

“Governor Ridge was deeply committed to developing a regional construct for the department. He pressed hard to establish this regional blueprint for the department across the nation. We had come up with a plan for DHS regions, and that

plan still exists today. It just needs to be implemented,” said Campbell, Ridge’s chief of staff.

The White House and ODNI

McConnell had not been part of President Bush’s inner circle, but he was able at times to leverage his daily access with the president to further his agenda as DNI, including convincing the president to back spending billions of dollars on the cybersecurity threat. McConnell also had previous ties and a good working relationship with Gates, the defense secretary; Clapper, the Pentagon’s undersecretary for intelligence; and Hayden, the CIA director, enabling him to better exercise de facto authority over the intelligence community.

In contrast, Dennis Blair, the third DNI, did not have strong backing inside the Obama White House and lost power struggles when the president backed then-CIA Director Leon Panetta on a number of important issues.¹⁷

At the Mar. 30, 2011 hearing before the Senate Homeland Security and Governmental Affairs Committee, Collins said that the situation today suggests that John Brennan, the assistant to the president for homeland security and counterterrorism, has more leverage with the president on intelligence matters than Clapper, the current DNI.

Hamilton, the 9/11 commission vice chairman, responded that there is sufficient authority in the law for the DNI to be the top intelligence officer, but he said it will not be exercised if the president does not “step in with regard to his (the DNI’s) authority in the intelligence community over budget, and over personnel and over transfer of funds within the

16 Tom Ridge with Lary Bloom, *The Test of Our Times: American Under Siege...and How We Can Be Safe Again*. Thomas Dunne Books, New York, 2009

17 Mark Mazzetti, “Facing a Rift, U.S. Spy Chief to Step Down.” *The New York Times*, May 20, 2010

budget. And so far as I can see, that really has not been done.”

In addition, Hamilton noted that no matter what the law says, the DNI must not only compete with top level White House advisers, but must deal “with some pretty powerful players—the secretary of defense, CIA director—and if they get a decision within the bureaucracy they don’t like, they’ll go directly to the president.”

“So the DNI may have authority, and he may try to exercise it, but he has to exercise that authority with extraordinary skill and discretion. And these are all major players within the administration, and so that power has to be very skillfully exercised,” said Hamilton.

McConnell said having clearer authority for the DNI written into law would be helpful, but he added that getting the support from the president is an entirely different matter.

“The president is going to talk to whoever he or she pleases, and you can say ‘til the cows come home that the president shall consult with so and so,” McConnell said at the public forum in June. “If the president really doesn’t want to take that advice, that person may walk into the Oval Office, and the president can sit and go, ‘Uh-huh, uh-huh,’ and it’s not going to make a difference,” said McConnell.

Clearly, one of the biggest hurdles and challenges in reorganization is navigating the political system, and using the levers of power to carry out the mission and vision for the new organization.

CONCLUSION

As is evident from the standup of DHS and ODNI, the creation of new government agencies is a difficult process. Study after study has shown that the vast majority of business mergers fail to achieve the desired results or add value, and government reorganizations certainly come with their own special set of challenges.

As we enter a period in Washington of budget austerity and reductions in government programs and services, there may be a strong urge to consolidate agencies, and look for savings and greater efficiencies through reorganization.

But transforming government agencies can be extremely disruptive, consume enormous energy, divert attention from important policy initiatives and at least in the short run, cost extra, not less, money.

Successful reorganizations also require far more than simply creating a new organizational structure and providing legal authorities. Our study found that merging government agencies requires developing and communi-

cating a clear vision; unifying managers, employees and very different cultures into a common mission; integrating complex and different financial, human resources and technology systems; changing relationships with important stakeholders; and navigating a complex political system.

Our experts also warned that reorganizations often take place to deal with the crisis of the moment, not necessarily the one that may be waiting down the road, and therefore do not always incorporate the kind of flexibilities needed to adapt to a changing environment.

Charles Rossotti, the former IRS commissioner who led that agency's successful reorganization in the 1990s, said there need to be ironclad reasons for a government restructuring that can be fully explained and justified. At the same time, he cautioned, government leaders should realize that no matter how much preparation or focus they bring to the job, "it's not going to be quick, it's not going to be free, it's not going to be easy and it's not going to be painless."

APPENDIX A

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