Paper Session II-B - Insights into the Process of Converging Inter-Agency Government Programs

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INSIGHTS INTO THE PROCESS OF
CONVERGING INTER-AGENCY GOVERNMENT PROGRAMS

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The opinions and conclusions in this paper are those of the authors and are not intended to represent the official position of the DoD, USAF, The Aerospace Corporation or any other government agency.

ABSTRACT

With the decreased funding available for government programs, many agencies have converged or are contemplating converging their functions and personnel in order to be more effective and more efficient in their processes.

This study provides an overview of the organizational theory related to convergence process and the issues and impacts of creating joint programs from independent, long-standing military and civil programs. The management aspects of the convergence process, with an emphasis on human and organizational issues, are presented and lessons learned highlighted.

The methodology used to conduct this study included an extensive literature search and survey. The survey was completed by individuals at different levels of management selected from six converged and converging government programs.

The results of this study revealed a strong tendency for converged government programs to violate basic organizational theory principles during their convergence experiences. Survey results showed individuals in these converged organizations generally had lower than average morale, were physically separated from key parts of the organization, faced serious bureaucratic roadblocks, and felt that there was a lack of communication within their organizations.

Finally, suggestions for conducting successful converged programs are outlined including: establish agreement on mission need and requirements as soon as possible; establish clear chain of command; provide honest, direct, and frequent communications; establish equitable management and procedures; articulate a vision; and endeavor to bring all levels of workers together within a common set of goals.

OBJECTIVE

The purpose of this study was to chart unexplored areas of organizational behavior relevant to current government program consolidation and to provide insight into the human side of converging government programs.

The nation's tightening economic and fiscal realities have created an environment in which the government is being forced to cut more and do more with less. Initiatives such as Vice President Gore's National Performance Review have identified ways in which government activities and programs may be re-vamped to save money. The terms "downsizing," "right-sizing," and "streamlining" are becoming standard vocabulary for all government employees.

As members of a Team associated with a converging program, the authors hoped to gain insight into the often-overlooked organizational aspects of bringing together dichotomous inter-agency organizations. It is hoped that insight and lessons learned discovered in this research will be used to insure the future success of that program and other converging programs.

Convergence

The term convergence as defined by Webster's New World Dictionary is: "the act, fact, or condition of converging; to move or be directed toward the same place, purpose or result." (Ref. 1)

It is ironic that organizations who attempt to "converge," "merge," "acquire," "integrate," or "consolidate" seldom achieve their originally intended purpose or result. According to a decade-long study of ten mergers by Arthur Lewis, 80% failed to live up to projections made for them in the feasibility studies. (Ref. 2)

For the purposes of this study, the terms quoted above are used synonymously. Converged organizations are those brought together from previously different sources, now working toward a common goal.

STUDY METHODOLOGY

The study methodology includes the following seven phases: (1) literature search; (2) survey development; (3) survey panelists selection; (4) survey data accumulation; (5) data analysis; (6) conclusions based on findings and literature search; (7) recommendations based on study conclusions.

LITERATURE SEARCH

The first phase of the study was to gather data on converged/converging inter-agency programs from published literature. Due to the newness of the convergence activity in government the breadth and depth of available data sources are limited. However, the literature is quite complete in the area of commercial mergers.
Organizational Theory

The intent of the managers of most converging organizations is to magically make "1 + 1 = 3," hoping for a synergistic effect when two organizations combine talents, resources, and other strong-points for a more productive, efficient union. It seems logical, and often appears that "on paper" this newly converged organization would be stronger than its parts. However, it is generally agreed that a merger will not produce that elusive "synergy" sought by companies unless the issues involving people are addressed. (Ref. 3)

Financial, technological, and strategic considerations are typically identified by top managers when a merger is being considered. These objective, tangible measures produce a type of "organizational bottom-line" on which managers make their decision, and judge the results of the convergence. However, even when the bottom line looks favorable, mergers often fail. Problems with people are one reason why one-half to two-thirds of convergence efforts fail. (Ref. 3) The answer appears not to be with the bottom line, but at the front line with people.

The literature suggests that there has been a revival of interest in the role of human factors in determining the outcome of convergence. In a survey of more than 200 European chief executive officers, Booz, Allen & Hamilton Inc. found that the "ability to integrate the new company" was ranked as the top factor in determining the success of the merger. (Ref. 4)

The role of people, erroneously labeled the "soft" or "mushy" issue, tends to be ignored or overlooked, perhaps not surprisingly, given that the human resource function is often seen as marginal to the organization and is rarely involved in target selection or merger planning." (Ref. 5)

Several algorithms exist for analyzing the financial compatibility of organizations, but the question of assessing the human factors involved remains elusive. Mirvis and Marks suggest that along with the quantitative assessments, managers must appraise "organization" and "cultural" fit. Organizational fit requires managers to weigh the following factors when considering convergence: (1) Compare the compatibility of structures, system, people, (2) Define key synergism, factors that "make it work," and (3) Develop scenarios based on different degrees of integration (i.e. total absorption, common functions). Cultural fit requires an assessment of: (1) Philosophy, methods, style, values, (2) Benefits versus Risks - compare integration models with potential costs such as resistance, turnover, problems, and (3) Make time an asset by using pre-convergence period to test fit under different integration scenarios. (Ref. 6)

Once the organizational and cultural fit of the converging organizations has been determined, and a decision to merge the organization has been made, managers of newly converged organizations must deal with the largest stress factor on people, which is change.

Managers of organizations embarking on a significant change event, such as a merger, must realize that their people will, according to training expert John Iacovini, find themselves floundering in a sea of stress and confusion. "They look around for something to hold on to. They crave security, respect, and empathy even while the business of an organizational change rushes on around them." (Ref. 7)

As this organizational change occurs, the newly converged team may experience an "organizational sickness." Marks and Mirvis found some of the symptoms of this risky disease to be: turnover of key people, people refusing reassignment, relocation costs/downtime, post merger performance drops, lost customers/capacity/synergism and finally morale problems. (Ref. 6) Organizations as a whole may experience some, or all of these symptoms, but for individuals in the organization, the consequences of the sickness may be grave.

For individuals, a merger is analogous to the death of a loved one. Mourners go through phases of immediate disbelief and loss, they then often have trouble getting their lives back in gear, and finally they realize that life must go on. Iacovini suggests that merging organizations pass through similar phases on the road to convergence. First, individuals feel a collective loss for their former organization. They must let go of their old paradigm and deal with a new set of rules that has not yet been well defined. Feelings of sadness, anger, denial, and fear are common during this phase. To leave this stage they must be provided with things like visible support, stability, opportunities to interact informally and a constant flow of information. They then move to the next phase known as the impasse where they may become entrenched in their old way of doing business, longing for the past. Successful organizations take time to reflect on where things stand, encourage creative thinking and tolerate diversity and encourage people to reminisce about the past and think of ways to improve in the future. Finally, organizations that successfully navigate through the first two stages will reach the renewal stage characterized by new challenges and continuous improvement. (Ref. 7)

Post-merger stress can start the newly combined organization on the road to disaster. In a case study of a large optical product company, Marks and Mirvis observed stressful feelings and rumor mongering, breakdown in communications and an "us versus them" mentality ran rampant. Conflicts over who should lead, stereotyping, and generally ill feelings dominated the environment (Ref. 8). To mitigate these stresses employers must provide three basic needs: (1) Psychological enlistment to make people feel wanted and have an emotional stake in the mission of the team, (2) Role development to get people excited about their new jobs and about the team's potential, and (3) Trust and confi-
dence development in people's colleagues and supervisors. (Ref. 8) Once these needs are provided for, management can begin the quest of reaching the new heights they had hoped to obtain when they first contemplated convergence.

In conclusion, we find through an extensive search of the organizational theory literature that human factors may be a major contributor to the success or failure of converging organizations. Top level leaders and managers must consider the organizational bottom line as well as the financial bottom line. Literature documents that, even before convergence occurs, management must assess the organizational and cultural fit of the organizations. Once compatibility has been determined, they then must be prepared to deal with the newly generated stress, confusion, controversy and problems of organizational sickness that organizations, and individuals within those organizations will be experiencing as they pass through the phases of letting go of the old paradigm, getting stuck in the impasse, and finally renewing their commitment. To counter these difficulties, people's needs for security, respect, and empathy must be met. Personnel must be psychologically enlisted into the new organization.

SURVEY

The second phase of the study was to develop a survey in order to gather the necessary data from "experts." Experts are defined as those individuals with current first-hand experience in a converged/converging inter-agency government program.

In order to identify critical sub-areas of the convergence process the authors interviewed participants (experts/managers) in the converged organizations believed to have a comprehensive first-hand knowledge of convergence. The following key areas evolved: funding, political sensitivity, top-level government support, bureaucratic roadblocks, level of program success, level of top-down management, and organization morale. These areas were incorporated in the survey.

A broad-based survey, based on the above listed key areas, was developed that contains a series of simple closed-end questions utilizing Likert scales, measuring attitudes, (Ref. 9) as well as open-ended questions asking the respondents to identify and define what they considered to be the critical elements and issues of the government multi-agency convergence process.

The respondents were asked to indicate their degree of agreement, based on ten point Likert scales, with the following eight simple closed-end questions:

1. Categorize the level of success of the converged program that you work(ed) on.
2. Describe your program's funding profile. (Mark all that apply).
3. Characterize the converged organization's morale.
4. Describe the programs political sensitivity.
5. Describe the bureaucratic roadblocks experienced.
6. Describe the level of top-down direction received.
7. Characterize the lead agency support for your program.
8. Characterize the physical location of involved individuals/groups.

The intent of the following two open-ended questions was to encourage the respondents to provide open, detailed opinions on the relevant subject.

1. If you were in charge of a converged program, what would you do to ensure its success?
2. Based on your experience, what advice would you give to a program that is being considered for convergence?

Survey Panelists

For this survey, 25 experts were selected in three primary ways. More than half of the respondents were known to the authors through a currently converging program. A smaller portion of the respondents were selected for their current involvement in diverse, mature converged programs. Finally, some of the respondents were located through informal channels such as preliminary research phone calls and referrals by other respondents.

The panelists represent three levels of organizational authority. The majority (sixteen) of the panelists are in middle management, top level management is represented by two panelists, and seven workers are included in the panel. This predetermined sample represents the current spectrum of inter-agency government convergence efforts.

Survey Response Rate

Of the 25 surveys sent to panelists in converged/converging programs, 25 responses were received. This unusual result of a 100% return rate may be unprecedented. Anything over 50% return rate for a questionnaire is considered acceptable. The high response rate can be attributed to many factors, one of which could be a high level of interest in the subject area of convergence and its resultant success or failure. Another contributing factor to the response rate could be the desire to contribute to the understanding of a relatively undocumented and poorly understood subject.

The respondents have the common attribute of current involvement in a converging/converged program and possibly have justified human factors concerns about job security. Research has shown that human factors aspects of "mergers" are similar to those present in the program-convergence process.
Survey Analysis

The survey data are ordinal-scaled and cannot be analyzed by the usual analysis of variance procedures. The data were analyzed instead for significance based on the sample population of three layers of management. The method of significance-analysis selected is the Kruskal-Wallis Test. (Ref. 11) This non-parametric test of significance is a one-way analysis of variance by ranks and requires only ordinal-level data. The null hypothesis assumed is: Management level does not affect responses.

Figure 1 shows the scores, ranks and sum of ranks for the test scores. These data were incorporated into the test statistic used for the Kruskal-Wallis (K-W) test with the resultant score ($H_0$) of 3.956.

$$H_0 = \frac{12}{N(N+1)} \left( \sum \frac{R_i^2}{n_i} - 3(N+1) \right)$$

where $N = n_1 + n_2 + n_3$

It is known that the distribution of the Kruskal-Wallis test statistic is very close to the chi-square distribution. With a conservative level of risk ($0.10$), the maximum test statistic is 4.606. The comparison shows that the survey data score fits within the chi-square distribution; thus, the null hypothesis is correct. The responses from management are assumed therefore to be significant data and not biased.

FINDINGS

Having determined the significance of all data, the information from management as well as workers was used to determine the following seven findings.

Respondents provided seventy-three comments on the survey, some of which are included in the discussion for each finding.

Finding 1: The respondents were uncertain about the level of success of their program.

By a factor of two to one, uncertainty about level of program success prevailed. The large number of panelists who are currently working in a transitioning convergence program may have driven this finding. However, the state of the convergence program does not make this finding any less valid because uncertainty is one of the human resource problems considered pervasive in the merger/convergence process. It is well documented that people strongly identify their personal success with the success level of their programs or organizations.

Uncertainty in program success directly relates to personal insecurity. As documented by Bastien, this insecurity is not confined to executives and top managers, but pervades all organizational levels sampled. Uncertainty in terms of job (and income) security was not as common as the fear of diminished power, control, or influence (closely related to dead-end syndrome described by Kanter). (Ref. 12) Uncertainty in terms of job and income security may not have occurred due to the predominately military/civil service survey respondent population, who typically are not concerned with these issues.
Finding 2: The morale of the organizations was considered to be in need of improvement.

The vast majority of the respondents felt that the morale of their organization was less than OK. This finding correlates well with the uncertainty about level of program success. The above comments on uncertainty apply equally to low morale issues.

Respondents commented about the lack of strong leadership during the organization’s infancy. Military personnel, given their culture and structure, thrive under able leadership and lack effectiveness in its absence. Morale is definitely affected. The Defense Systems Management College (DSMC) is clear in their recommendation to provide strong and flexible leadership in conjunction with managing joint programs. (Ref. 15) "One of the major challenges for a joint program manager is to develop an esprit de corps within the program office," according to the DSMC. (Ref. 15) However, they also note that joint program offices require more personnel than typical single-service programs due to the greater need for coordination and interfaces with the various participating services. Unfortunately, respondents’ comments also noted understaffing exacerbated by personnel flight and other types of turn-over.

Additional respondents’ comments included: “Staffing and facilities should be a first priority;" "Motivate and provide enough freedom for people to be creative;" and "Team building and cultural acclimation processes are crucial."
Finding 3: The converged organizations were perceived as permeated with bureaucratic roadblocks and characterized as almost total bottlenecks and constricted.

Bureaucratic roadblocks were characterized as "almost total bottlenecks" and "constricted" by almost 90% of the respondents. The agencies were perceived as having "separate agendas" and "divided loyalties." DSMC Lessons Learned included the following four statements:

- Personnel participating in joint programs have divided loyalties - to the joint program and to their service affiliations.
- Differences in which the Services view the joint program, such as involvement or priority, can impact the joint program (separate agendas).
- Obtaining a joint agreement on the mission need and doctrinal requirements is one of the most difficult tasks in a joint program effort.

Finding 4: The direction provided by the topmost levels of management for the converged organizations was not considered to be at an ideal level. The absence of direction was predominant.

Almost half of all respondents found that they had "hardly any" top-level direction while approximately one-third cited an ideal level. Comments included: "establish clear authority of top management at the beginning," "minimize top management," and "establish program's hierarchy first, then define the system."

Low morale is reflected in one respondent's statement that "any" direction would be better than none. A perception of strong leadership that has a focus on team-building is critical for a successful joint program.

Findings 1, 2, 3, and 4 appear to be linked. Lack of direction and poor communication contribute to uncertainty about a program's level of success.

The level of communicating and "forcing perceptions and misperceptions to the surface at the earliest opportunity in order to bring about collaborative problem-solving" will determine the relative success of the union both from a human resources and ultimately, financial standpoint," according to Arnold. (Ref. 16)

The literature has total agreement that lack of direction for an organization with strong infrastructure will eventually produce failure. But the effects on a start-up organization can be devastating. Clear, well-defined reporting relationships and lines of authority should be established as soon as possible. Historically, the most unsuccessful mergers have suffered from unclear relationships. They also have a tendency to overcorrect the problem and change already vague, poorly defined reporting relationships several times during the first year. (Ref. 17)
Finding 5: Program funding was adequately funded in approximately half the cases and under-funded or with a recoverable shortfall in the rest.

Approximately 40% of respondents cited that their programs were on-target with their funding profile with about 25% reporting an under-funded status.

The program funding does not appear to correlate with the other findings of this study. Although underfunding could be considered a stressor, given the current budgetary restrictions in the defense industry, shortfalls seem to have become an accepted fact of the aerospace industry life.

Perhaps the respondents recognize that joint program funding is tenuous at best. "Few joint programs enjoy single-source funding... funding is provided by the services, subject to each service's assessment of its own funding priorities" as is pointed out by the DSMC. (Ref. 15)

Finding 6: All programs surveyed were considered controversial.

Finding 7: The level of Lead Agency support varies consistently across programs from "almost none" to the "highest level of support."

Approximately 30% responded with "adequate" support being provided by the Lead Agency; 25% reported "highest" support, and the remaining 25% reported "lukewarm" support. Approximately 20% cited "almost none."

The level of Lead Agency support does not correlate to Findings 1, 2, 3, and 4. It appears that this does not have a noticeable impact on human resource issues.
CONCLUSIONS

The findings are clear that human resource issues are perceived as problematic in the process of converging inter-agency government programs. High areas of stress were determined to be in the areas of program uncertainty, morale of the organization, bureaucratic roadblocks, and direction provided by top-most levels of management. All areas listed are widely recognized in the literature for their negative impacts on the success prospects of merging organizations. Only recently have researchers begun to study the impact on employees, an issue many argue is critical in determining the success or failure of convergence. (Ref. 18)

Distance between functioning parts of the organization was the subject of one of the questions in the survey. Over 60% required air travel to see their counterparts. It could be said that distance does make the convergence process a lot more difficult. It means harder work is required on the communications.

People problems are cited as the reason why one-half to two-thirds of organizational convergences ultimately fail. (Ref. 3) The combination of uncertainty about program status, delayed permanent staffing, un converged staffs, and lack of clear direction from top-level management shown in this study affect people’s morale and productivity.

Stress reduction training helped employees cope during the transition period of convergence. (Ref. 19) Similarly, employees adjusted better to convergence and decreased their uncertainty (insecurity) when they received realistic communications throughout the process. (Ref. 14) (Ref. 20)

During initial convergence activities, “every policy and procedure is up for grabs.” Mergers and acquisitions can cause depression, uncertainty, loss of control and job insecurity. (Ref. 18) Experienced corporate observers estimate that it takes two to three years for the trauma of an acquisition or merger to subside. In many cases, “normalcy” never returns. (Ref. 3)

Job characteristics and attitudes toward co-workers (peers and supervisors) are two primary determinants of overall employee attitudes towards organizational commitment and satisfaction. (Ref. 18) Employees need the following:

1. clear perception that someone is in charge
2. process being managed in a forceful and fair manner
3. open, honest communications about how the process will unfold
4. clear communication of any changes in the reworked structure. (Ref. 18)

One highly successful organization actually gathered employees together to hold a ceremony at which they eulogized an old program they were phasing out, and then offered a champagne toast to a new start-up venture. (Ref. 3)

In conclusion, it has been suggested that the greatest sins of post-merger management are sins of omission. In opting to do nothing in an effort to avoid doing something wrong, critical mistakes are made. (Ref. 17)

The reader should consider the limitations of this survey lie in the survey participant population. Further research is required to determine if expanding the small sample size, and varying the government respondent population would produce different results.

REFERENCES