

# Managing in an Unsettled Environment

BY SCOTT J. CAMERON



Government service has historically been associated with a relatively stable work environment, at least when compared with private-sector organizations forced to continually adapt to shifting market forces in the pursuit of survival and profitability. The year 2011 is proving to be an unusually challenging one for NASA and other government agencies, however, replete with change and tumult. Fiscal year 2012 promises to be even more challenging.

### The Unsettled Environment

The change and uncertainty are coming from a combination of three main factors: budgets, politics, and an aging workforce.

#### Budgets

More than half the fiscal year had elapsed before Congress and the president finally came to closure on annual funding on April 8, 2011. Unprecedented debate over how deep budget cuts needed to be this year represented a break in a pattern that goes back at least half a century, which saw presidents typically requesting less money than Congress eventually appropriated.

While the debate over the FY2012 funding level has barely gotten started, House leadership is talking about cuts on the order of \$6.2 trillion over the next decade, while the president is also beginning to signal an interest in further reductions after FY2012. Even the Senate is talking about freezing some FY2012 spending at the FY2011 level. Given increased costs due to inflation, even a freeze constitutes a cut in real dollars.

At NASA, these fiscal challenges are compounded by programmatic changes. The Space Shuttle program is coming to an end. Constellation is slowly winding down, using precious financial resources in its last months that could be used productively elsewhere.

#### Political Environment

The year 2012 will see the return of a presidential election race and its focus on politics and political advantage. Preoccupation with politics will be heightened by the divided party control in Congress, with the Democratically controlled Senate and the Republican-controlled House each looking for ways to score political points. In such situations, sound, public policy-making can be impeded by political considerations, which often lead to stalemate and inaction.

#### Workforce

For years, federal human-capital management leaders have been warning of an impending retirement flood. The argument is

that agencies will experience a massive wave of baby-boomer retirements any time now.

This flood has not yet materialized. The stock market decline in recent years has wreaked havoc with the Thrift Savings Plans balances of many federal employees; like many workers in the private sector, they have been reluctant to retire until their retirement funds regain their pre-financial-crisis strength. At the same time, a historically high unemployment rate has limited federal employee opportunities for post-retirement employment outside government.

But the wave of retirements is coming. Prospective retirees are older now than they were two years ago and, for many people, the attractions of retirement pull all the more strongly as they age. Also, the president and Congress have decided that federal employees will not receive annual cost-of-living adjustments for two years. For many employees, that means their “high three” compensation years that affect the size of their annuity in retirement are not going to get any higher, so there is little financial incentive to continue in the federal workforce. Finally, potential turnover of political officials, even when an incumbent president is reelected, can create a period of frustration and drift that many senior employees may want to avoid.

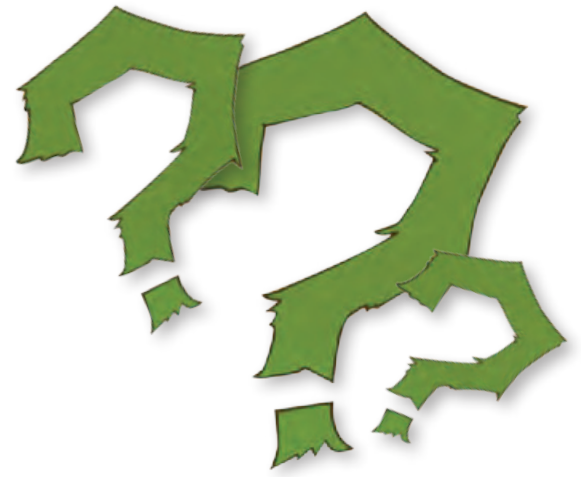
### Managing Through Uncertainty

Managers can and must do three things to navigate these uncertain times. They must plan for change, support the workforce, and ensure that the organization is capable of performing once most of the change has happened.

#### Plan for Change

The critical steps in planning are collecting potentially relevant material, with a bias in favor of official sources of information and against tapping into the office rumor mill; analyzing the information collected; and then deciding how to adapt to the anticipated change. In general, do not be swayed by press coverage; editorials; employee blogs; posturing by local, state, or federal elected officials; and interest-group efforts to thwart administration policy. Since purveyors of incorrect or trivial

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information are often among the loudest communicators, this can be a challenge.

Agency leadership testimony before Congress, official press releases, and approved communications to employees are among the best information sources. Those documents go through a thorough internal clearance process, and, therefore, are most likely to accurately represent the official viewpoint.

Analysis of the information collected needs to be done in the context of understanding how and when the change will likely happen, and who will be instrumental in accomplishing it. Change can be driven by a variety of processes, each with its own timelines and windows of opportunity for influence. It is critical to understand what's driving a particular change, so the interested manager may inject himself or herself into the process in the most effective way at the most opportune moment. Typical change drivers are budget, litigation, acquisition, regulation, executive orders, and congressional action to amend current or create new statutory authority. Agency managers should develop a mental model of what the organization will look like after the change, so appropriate strategies can be defined to get from the "as is" to the "to be."

The process driving the change will typically provide crucial information on when the change will actually begin and when it is expected to be completed. It is important to understand the motivation of those forcing change. Do they want to cut budgets, decrease staff, or simply shift the emphasis of an agency? Unless their motives are understood, there is a real risk that strategies chosen to manage change will be misguided and unsuccessful, since they may not address the "problem" to be solved. Indeed, there is even the possibility that an adaptation strategy chosen without regard to the driver behind the change may exacerbate the perceived problem, and cause the manager to lose credibility.

### **Support the Workforce**

The single best way to support the workforce is through practicing good communication. Communication must be

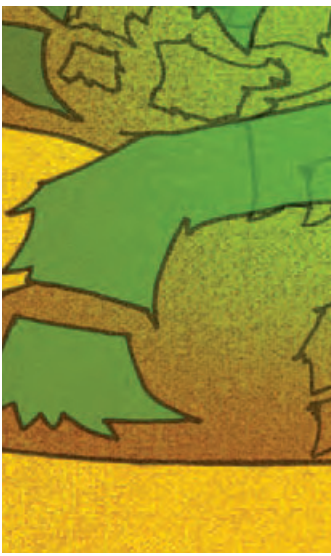
- **Open.** Keep no secrets from employees unless you have been given information confidentially.

- **Frequent.** If employees don't hear from their manager enough, they will make up their own imaginative—but invariably wrong and often damaging—explanations of what is going on.
- **Honest.** Share what you know and what you don't know; don't try to fake it, because people will notice and you will lose credibility.
- **Respectful.** Recognize that employees will vary a great deal in terms of experience, sophistication, and anxiety, so don't give the impression that any questions are inappropriate.
- **Multimodal.** Don't rely on just one form of communication; people learn differently and not everyone may have ready access to a single mode of communication.
- **Consistent.** Leverage the chain of command to share and exchange information, but make sure that all communicators are "on message."
- **Current.** Stay on top of developments so you can share promptly when conditions change to retain confidence and reduce anxiety.
- **Prudent.** Avoid talking to the press without a handler from your public affairs office to avoid unnecessary pitfalls, since a reporter may be more interested in creating an exciting story than reporting the "truth" as you see it.

Strive to explain what the organization will look like after the change, so employees can visualize the future and think about their place in it. Without underplaying difficulties, identify and share the positive. Adhere to the party line, since nothing is gained by publicly disagreeing with policy decisions. Expect to repeat your message, since not everyone "gets it" the first time, and people will take comfort in constancy in an unsettled environment.

If it looks like your organization is going to have to absorb a significant budget cut, then you need to think strategically, tactically, and humanely.

From a strategic perspective, be active, not passive. Seek to drive change rather than be a victim of it. Discover if the change creates an opening to reshape the organization in ways you wanted to pursue in the past that may have been impractical in a



more staid institutional setting. Perform a multisector workforce analysis, taking the opportunity to reconsider the appropriate mix of federal employees, contractors, and other partners in light of the future mission. Envision the federal workforce that you will need to succeed after the change, and conduct all other activities with that end in mind.

Tactically, be willing to make difficult decisions intelligently rather than abdicating control to bureaucratic processes. Make sure you are aware of applicable labor-relations regulations and constraints. Use early-outs and buyouts selectively to reshape the workforce. Working closely with your acquisition office, consider modifying contracts to refocus effort on the highest-value work. Choose not to exercise option years or cancel unnecessary contracts to conserve cash. Manage vacancies thoughtfully, avoiding across-the-board hiring freezes. If all else fails and you find yourself presiding over a reduction in force, find and work closely with an expert in the human resources office who will show you how to use your discretionary powers to shape it. Creatively target the reduction functionally and geographically, to help shape the outcomes as much as possible. Finally, get it over with as soon as possible to control the damage to morale and reduce the flight of your best talent.

Be humane by being honest with people about their futures; don't try to protect them from the truth. If you have not been doing it all along, this is the time to separate senior people who are poor performers; the organization cannot afford to carry them anymore. Work closely with human resources, but get it done. Set up an outplacement process to help capable people who don't have a natural place in the changed organization to find a better niche in other parts of the agency. Pay special attention to your star performers; let them know that you want them around and plan to look after their interests as much as you can.

### *Preserve the Capability to Perform*

Keeping in mind your vision for the "new" organization, be clear with yourself and your team, and human resources, on the competencies your people will need to succeed in the future. Then deliberately hire people who can catalyze the transition to the new organization. Do succession planning, and shape your

training program so that it enhances the desired competencies and equips high-performing junior people to handle more-senior positions. Use the individual performance-management system to signal the new skills, knowledge, and competencies that you want in your new organization, and to focus the efforts of your staff on work that will advance the transformation. Work very hard to keep your high-performers engaged, so they will stick with the organization through the transition.

Don't forget to manage your relationships with contractors and other partners so they, too, begin to focus on creating the target organization. As applicable, revise contracts, grant agreements, and cooperative agreements so they are aligned with the new organization.

Resist the temptation to follow the typical but deplorable pattern of responding to budget cuts by eliminating travel, awards, training, and new hires. While this may be a tempting stop-gap strategy to solve a short-term budget problem, it is not a good long-term choice. You and your customers are better off with a relatively smaller organization that is well trained, well rewarded, gets to develop professionally through travel to important events or locations, and can hire new people when they are needed, than with a slightly larger organization that can do none of these things. This implies that initial staff reductions should be deeper than what is necessary to simply "squeak by." Squeaking by is no way to run an organization over the long term.

Finally, in managing an organization in an unsettled environment, do not forget to manage your own needs. Without allowing yourself to take the opportunity to periodically refresh yourself, your own morale and attitude will be less than what you want to project and less than what you need to successfully manage a difficult transition. ●

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