A Report of a Panel of the

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

For the U. S. Congress and the Department of Defense

The Defense Civilian Intelligence Personnel System

DCIPS

An Independent Assessment of Design, Implementation, and Impact

2010

National Academy of Public Administration®

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June 2010

The Defense Civilian Intelligence Personnel System

An Independent Assessment of Design, Implementation, and Impact

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Published June 2010
Printed in the United States of America
ISBN 1-57744-186-9

Academy Project Number: 2158-000

FOREWORD

The terrorist attacks of September 11, 2001 brought the missions and roles of the United States intelligence community into the public consciousness in ways previously unseen. Subsequent successful and unsuccessful attempts around the world, including the 2009 Christmas Day and the recent New York Times Square bombing attempts, have continued to demonstrate the importance of high-performing intelligence personnel in protecting and strengthening our nation's security.

At the core of the intelligence apparatus are dedicated men and women entrusted with the most important and sensitive missions related to the national security of the United States. They include the civilian employees of the U.S. Department of Defense's (DoD) intelligence components—50,000 strong—who work tirelessly in the public interest at the National Security Agency, Defense Intelligence Agency, National Geospatial Intelligence Agency, Defense Security Service, National Reconnaissance Office, and the intelligence elements of the Army, Navy, Air Force, and Marine Corps.

These public servants work to achieve missions that are more critical than ever: defending our nation and thwarting attack. The Academy Panel recognized that the manner in which the performance of these employees is assessed and rewarded is as important to how—and how well—they do their work, as it is to recruitment and retention. A culture that encourages "connecting the dots" and finding new ways to look at "dots" cannot be built on a system that rewards longevity over performance. The Panel concluded that a performance-based pay system that provides recognition for individual as well as collaborative performance can produce more robust discussion and better intelligence products that will significantly strengthen our ability to thwart attacks.

For the past four years, DoD has engaged in the design and implementation of the Defense Civilian Intelligence Personnel System (DCIPS), which is intended to unify the DoD intelligence components under a single human resources management system. DCIPS represents transformational cultural change that requires paying as much attention to the system's implementation as to its design. The National Academy Panel recognized the soundness of DCIPS' design, the urgency of the effort, as well as the need to make certain changes in its planned implementation prior to moving forward. This report provides key recommendations aimed at encouraging greater collaboration among the intelligence components, restoring and building employee trust in DCIPS and, most importantly, strengthening personal accountability in the performance of agency missions. The stakes have never been higher. And, our intelligence personnel deserve nothing less.

The National Academy was pleased to conduct this review for Congress and the Secretary of Defense. I want to thank the Academy Panel for its excellent and diligent work and the study team for its significant contributions. In addition, I wish to acknowledge the vital assistance provided by the Undersecretary of Defense for Intelligence and his staff, as well as the DoD intelligence components and the Office of the Director of National Intelligence. Finally, my appreciation goes to those personnel who provided access to critical information and contributed

their insights through interviews, focus groups, agency forums, colloquia, and online dialogue. Their work should not go unnoticed by the American public, which owes them a significant debt of gratitude.

Jennifer L. Dorn
President and Chief Executive Officer

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ACRONYMS

Academy	National Academy of Public Administration
CWB	Compensation Workbench
DCIPS	Defense Civilian Intelligence Personnel System
DIA	Defense Intelligence Agency
DIHRB	Defense Intelligence Human Resource Board
DNI	Director of National Intelligence
DoD	U. S. Department of Defense
DPAT	DCIPS Payout Analysis Tool
DSS	Defense Security Service
GAO	U. S. Government Accountability Office
GG	General Government
GS	General Schedule
HASC	House Armed Services Committee
HCMO	Human Capital Management Office
HPSCI	House Permanent Select Committee on Intelligence
HR	Human Resources
IC	Intelligence Community
IRTPA	Intelligence Reform and Terrorism Prevention Act
IT	Information Technology
MSPB	U.S. Merit Systems Protection Board
NAC	National Advisory Council
NDAA	National Defense Authorization Act
NGA	National Geospatial-Intelligence Agency
NICCP	National Intelligence Civilian Compensation Program
NRO	National Reconnaissance Office
NSA	National Security Agency
NSPS	National Security Personnel System
ODNI	Office of the Director of National Intelligence
OMB	U. S. Office of Management and Budget
OPM	U. S. Office of Personnel Management

OUSD(I)	Office of the Under Secretary of Defense for Intelligence
P4P	Pay-for-Performance
PAA	Performance Appraisal Application
PM PRA	Performance Management Performance Review Authority
PP PRA	Pay Pool Performance Review Authority
PMO	Program Management Office
POC	Point of Contact
RMSG	Resource Management Sub-group
SMART	Specific, Measurable, Achievable, Relevant, Time-framed
SME	Subject Matter Experts
Team	DCIPS Review Team
TSA	Transportation Security Administration
USD(I)	Under Secretary of Defense for Intelligence
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
USMC	United States Marine Corps

EXECUTIVE SUMMARY

The terrorist attacks of September 11, 2001, ushered in an era of fundamental change to the Intelligence Community (IC), and underscored the urgent need for improvements in the way its agencies assess and manage their human resources. Studies conducted in the wake of the attacks conclude that agencies missed or misinterpreted signals pointing to a major terrorist attack, and that they failed to "connect the dots" linking the actions of the 9/11 terrorists to the plot. Creating a unified human capital framework that encourages individuals and intelligence agencies to work together toward a common goal became a cornerstone of the reform efforts. By implementing a human resources management system that more directly links pay to performance, the Department of Defense is seeking to improve both individual and organizational performance through greater cooperation and collaboration that will ultimately lead to better intelligence products. These products will enable America's military, security, and law enforcement personnel to better perform their jobs and thwart attacks.

In this way, at its most fundamental level, the Defense Civilian Intelligence Personnel System (DCIPS) is intended to help protect the national security interests of the United States. Lee Hamilton, former Congressman, Chairman of the House Permanent Select committee on Intelligence, and Vice Chairman of the 9/11 Commission, highlighted for the Academy Panel the importance of a unified, performance-based IC personnel system to the nation's ability to defend against terrorist attacks:

> …[T]he necessity of defense against a terrorist attack is urgent… I am a real radical on personnel systems…[Y]ou need to have incentives to produce preeminent analysts…When you think about civilian personnel, I hope you are thinking about the importance of the analyst in driving the actions and direction of the agency.

DCIPS was the result of an effort to develop a unified, performance-based human resources management system for nine U.S. Department of Defense (DoD) intelligence components, whose collective mission is to protect the national security of the United States. The system is in various stages of implementation in each of the components, and is ultimately expected to affect more than 50,000 employees.

In large part due to perceptions that DCIPS could result in unfair treatment of minorities and women, the National Defense Authorization Act (NDAA) for Fiscal Year 2010 directed the Secretary of Defense, the Director of the Office of Personnel Management, and the Director of National Intelligence (DNI) to designate an independent organization to conduct a review of DCIPS. In anticipation of the review, NDAA suspended the base-pay setting portions of the DCIPS' performance-based compensation system until December 31, 2010; however, it preserved DoD's authority to award bonuses, maintain a pay-band structure, and implement the performance evaluation process under DCIPS.

Selected in January 2010 to conduct the review, the National Academy of Public Administration (Academy) appointed an expert Panel to assess and make recommendations regarding DCIPS' design, implementation, and impact.

The Academy Panel applauds the effort that the Office of Under Secretary of Defense for Intelligence (OUSD(I)) has made to enhance the ability of the DoD intelligence components to accomplish their mission by creating and implementing DCIPS. The creation and introduction of DCIPS have been approached with great seriousness, hard work, and creativity. The Panel has been impressed both with the DCIPS system and the people who work within it.

Unlike the General Schedule (GS) compensation system it is intended to replace, DCIPS provides performance-based compensation increases in lieu of tenure-based salary increases. It also differs from the GS system in providing for a stronger, more rigorous performance management system, and places positions in five broad pay bands rather than the 15 GS grade levels. Significantly, DCIPS retains the Merit Systems Principles of Section 2301 of Title 5, United States Code. This means that employees covered by DCIPS continue to have the same protections and safeguards from unfair treatment as all other federal employees.

The Panel found no indication that DCIPS is creating problems related to diversity or fair pay. In fact, the Panel concluded that there is nothing inherent in the DCIPS design that would lead to such negative impacts. The analysis of NGA data shows that disparities in the ratings of minorities and women compared to other employees existed before and after DCIPS was implemented. These long-standing disparities may be caused by biases of individual managers or may accurately reflect differences in individual performance. In either event, they are clearly not attributable to inherent flaws in either the design or implementation of DCIPS. The Panel has recommended further analysis of the results of the NGA implementation of DCIPS to determine whether individual managers are engaging in unfair practices or treatment of certain classes of employees.

With regard to the three key focus areas of its investigation, the Panel finds that:

- **The design of DCIPS is fundamentally sound and conforms to accepted principles for designing performance-based compensation systems, including appropriate equity considerations and internal checks and balances to ensure fairness.** The use of a tailored occupational framework, a single pay band structure, a rigorous performance management system, and separate performance management and pay determination processes, and its planned process for ongoing system evaluation all contribute to the strength of DCIPS' design. The Panel has identified a number of areas where improvements can be made, but considers these to be opportunities to further tailor, strengthen, and refine a system that is fundamentally sound, rather than rectifications of fatal design problems.

- **Implementation of DCIPS has been flawed.** OUSD(I) must establish a stronger foundation for organizational change. In particular, leadership in every component must visibly demonstrate that it fully supports the system. Further, OUSD(I) leadership must allocate sufficient staff time and other resources to develop a more comprehensive implementation strategy; a stronger system of governance and accountability; clearer messages; and refined business rules, tools and training.

- **It is too soon to draw conclusions about the impact of DCIPS, due to the limited amount of experience with the system.** Only one DoD intelligence component has fully implemented it, and the NDAA suspended significant portions of the system for this year. The Panel recommends further analysis of NGA's 2009 performance evaluations and payouts to determine if there are issues regarding protected classes that warrant further attention. However, the Panel finds nothing inherent in the DCIPS' design that would lead to negative impacts with regard to career progression or diversity.

Based on these findings and the mission-critical nature of this effort, the Panel recommends that OUSD(I) act with urgency to address the implementation issues that have been identified, and phase in the DCIPS performance-based compensation elements based on readiness assessments of the remaining DoD intelligence components.

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CHAPTER 1

BACKGROUND, METHODOLOGY AND ORGANIZATION

BACKGROUND

Improving the Intelligence Community's (IC) performance management and compensation system is critical to moving its agencies toward greater integration and collaboration in the performance of a common mission: protecting the national security interests of the United States. In response to the Intelligence Reform and Terrorism Prevention Act of 2004,[1] the Director of National Intelligence (DNI) and IC agencies agreed on an overarching framework for the development of more consistent personnel policies: the National Intelligence Civilian Compensation Program (NICCP).

Using the NICCP framework as guidance, DoD developed a human resources management system, the Defense Civilian Intelligence Personnel System (DCIPS), which includes new compensation and performance management processes. DCIPS is designed to provide a single system for DoD intelligence components that rewards individual performance contributing to the organization's mission, and that enhances the ability of those components to attract and retain high performing candidates.[2]

DCIPS is designed specifically for intelligence components and other DoD intelligence positions designated by the Under Secretary of Defense for Intelligence (USD(I)), including those at the Defense Intelligence Agency (DIA), National Geospatial Intelligence Agency (NGA), National Reconnaissance Office (NRO), National Security Agency (NSA), Defense Security Service (DSS), Office of the Under Secretary of Defense for Intelligence (OUSD(I)), and intelligence elements of the Army, Air Force, Navy, and Marine Corps.

The components adopted all or parts of DCIPS and were scheduled for complete adoption, as indicated in Table 1-1.

[1] The Intelligence Reform and Terrorism Prevention Act of 2004, among other items, directed the DNI to establish common personnel standards for IC personnel. See Pub. L. 108-458, Sec. 102A(f)(3)(a), Dec. 17, 2004.
[2] DoD Worldwide HR Conference. DCIPS PowerPoint briefing, July 2009.

Table 1-1. Status of DCIPS Implementation Efforts at DoD Intelligence Components: FY 2010

	Performance Management	Band Structure	Personnel Policies	Pay Pools*: Salary Increases and Bonuses	Pay Pools*: Bonuses Only	No DCIPS Pay Pools+
DIA	X	X	X		X	
Navy/ Marines	X	X	X		X	
OUSD(I)	X	X	X		X	
DSS	X	X	X			X
Army	X	X	X			X
Air Force	X	X	X			X
NRO (DoD)	X	X	X			X
NSA	X		X		X	
NGA	X	X	X	X		

* Pay pools for FY 2010 were established in 2009.

Responding to perceptions by Members of Congress of the potential under DCIPS for unfair treatment of minorities and women, Congress suspended implementation of portions of the system's performance-based compensation authorities in the FY 2010 National Defense Authorization Act (NDAA), from October 28, 2009, through December 31, 2010.[3] The NDAA permitted DoD to continue with implementation of DCIPS' performance management aspects.

In addition, the NDAA directed that the Secretary of Defense, Director of the U.S. Office of Personnel Management, and DNI designate an independent organization to review DCIPS and submit a final report and recommendations to the Secretary of Defense and the Congressional oversight committees by June 1, 2010.

The NDAA specified that the following issues be assessed during the course of the review:

- DCIPS' impact on career progression;
- Its appropriateness or inappropriateness in light of the complexities of the workforce affected;
- Its sufficiency in terms of providing protections for diversity in promotion and retention of personnel; and

[3] The National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84, Sec. 1114, 2009.

- The adequacy of the training, policy guidelines, and other preparations afforded in connection with transitioning to that system.

Selected in January 2010 to conduct the review, the National Academy of Public Administration (Academy) formed an expert Panel for that purpose. The Panel's findings, conclusions, and recommendations are discussed in the following chapters of this report.

METHODOLOGY

The Academy study team organized its data collection efforts around issues related to DCIPS' design, implementation, and impact; it conducted the assessment in a manner consistent with guidance provided in the U.S. Office of Personnel Management's (OPM) handbook for evaluating alternative personnel systems (APS), the *Alternative Personnel Systems Objectives-Based Assessment Framework Handbook* (OPM Framework). It augmented this framework with additional assessment criteria, including the Academy's own design principles,[4] and specifically assessed the extent to which DCIPS retains and promotes merit systems principles. In addition, the team evaluated and applied lessons learned from public literature on alternative pay systems and recently implemented federal compensation systems.

The Academy used numerous techniques to collect qualitative and quantitative data from a wide range of sources. These techniques included:

- Open forums at DoD intelligence component sites that allowed employees to express their views of DCIPS directly to the study team. Every DoD intelligence component hosted at least one site visit;
- An online dialogue tool that obtained input from program stakeholders and employees throughout the organization. The tool, open from March 8 to April 9, 2010, received comments from more than 1,800 employees;
- Interviews with senior officials from every DoD intelligence component;
- Two focus groups of senior DoD intelligence component managers at the Senior Executive, GS-15, or equivalent levels;
- A focus group of DoD intelligence component HR managers held at a national DCIPS Conference attended by representatives from each intelligence component;
- Two colloquia of subject matter experts (SME) with experience in public and private sector performance-based compensation systems, including two members of the Business Board Panel that reviewed the National Security Personnel System in 2009[5]; and
- Presentations made by senior DoD, IC, HR officials, and other experts at meetings of the Academy Panel and Panel member discussions with these senior officials.

[4] National Academy of Public Administration, *Recommending Performance Based Federal Pay*, May 2004.
[5] Described in more detail in Chapter 2.

The study team also collected and reviewed a wide variety of documents and background materials related to DCIPS, performance management, and performance-based compensation systems.

Four study team members attended the national DCIPS conference hosted by the OUSD(I) Human Capital Management Office (HCMO). This conference focused on effective implementation of the temporary pay system established ("DCIPS Interim") during the NDAA suspension of certain DCIPS pay authorities. The team members attended every session, met with groups of HR leaders, and participated in several one-on-one discussions.

ORGANIZATION OF THE REPORT

This report presents the Panel's findings, conclusions, and recommendations in the following sequence:

- Chapter 2: The Historical Context for a Performance-Based Compensation System in DoD Intelligence Components. Describes the history and driving forces behind the move to a performance-based compensation system in the DoD intelligence components and provides perspectives from individuals and organizations on the issues this effort has generated.
- Chapter 3: Assessing DCIPS' Design. Examines DCIPS' intended goals and alignment with the ODNI framework (NICCP), the mission, goals, and objectives of the intelligence components, and the broader goals of the IC. The chapter also compares DCIPS' design with the Academy's design principles for performance-based compensation systems, design principles of the Merit Systems Protection Board (MSPB), and best practices for designing these systems. It concludes by comparing DCIPS with relevant provisions of both the General Schedule (GS) system and the National Security Personnel System developed for the DoD non-intelligence workforce.
- Chapter 4: Assessing DCIPS' Implementation. Reviews DCIPS' overall change management strategy, leadership engagement and commitment, training, planning, delivery, communication and outreach, stakeholder involvement, HR business processes and procedures, tools and technology infrastructure, and cost management.
- Chapter 5: Assessing DCIPS' Impact. Focuses on DoD intelligence component employee perceptions and experiences based on open forums, focus groups, interviews, the online dialogue, and a recent OUSD(I) survey of employee attitudes about DCIPS. Also examined are the results of mock pay pools[6] conducted by the intelligence components, as well as NGA's experience with performance-based compensation to extrapolate the potential positive and negative impacts of DCIPS in other components. This assessment evaluates indications of its potential impact on career progression and diversity considerations.

[6] Mock pay pools are conducted to allow organizations to experience the pay processes prior to full implementation and make adjustments, as necessary.

- Chapter 6: The Way Forward for DCIPS. Presents the Panel's overall findings and recommendations regarding whether and how DCIPS should proceed.
- Chapter 7: Panel Recommendations. Provides a consolidated list of the Panel's recommendations for ease of reference.

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CHAPTER 2

THE HISTORICAL CONTEXT FOR A PERFORMANCE-BASED COMPENSATION SYSTEM IN THE DOD INTELLIGENCE COMPONENTS

INTRODUCTION

The terrorist attacks of September 11, 2001 introduced fundamental changes to the IC, including pressure to change the way its agencies manage their human resources. Studies conducted in the wake of the attacks noted that U.S. intelligence agencies missed or misinterpreted signals pointing to a major terrorist attack and that they failed to "connect the dots" linking the actions of the 9/11 terrorists to the plot.

The consensus emerging from these studies was that the historical challenge for IC agencies, both civilian and military—to share information and work collaboratively—contributed significantly to this failure. The studies suggested that closer working relationships among the agencies would strengthen national intelligence operations and, by extension, assist in protecting national security. The studies also concluded that a common human capital framework was an important mechanism for bringing about closer IC working relationships and collaboration.[7]

During the same period, performance-based compensation systems were being introduced in the federal government as a replacement for the decades-old GS pay system. Advocates view these systems, widely used in the private sector, as an important tool for driving change. The premise is that rewarding employees with salary increases and bonus payments for results, rather than for longevity on the job, improves organizational results. As former OPM Director Linda Springer noted in 2005, the federal government "is not doing anything that's new, that hasn't been done by millions and millions of people for decades" by adopting performance-based compensation.[8]

The intersection of these two forces—the need to strengthen collaboration among intelligence agencies and increased use of performance-based compensation systems—coupled with ODNI efforts to respond to Congressional direction to adopt a common human resources framework, laid the foundation for DCIPS. The effort to implement it across the DoD intelligence components began in 2008 and 2009.

THE EVOLUTION OF DCIPS

The Secretary of Defense was given authority to establish common personnel policies for Department of Defense (DoD) intelligence components in 1996.[9] In 1997, the Office of the Undersecretary of Defense for Personnel and Readiness (OUSD (P&R)) and the Assistant

[7] Report of the National Commission on Terrorist Attacks Upon the United States (9/11 Commission), 2004, p. 414
[8] Government Executive. Aug. 4, 2005. http://www.govexec.com/story_page.cfm?articleid=31908
[9] Public Law 104-201. National Defense Authorization Act for Fiscal Year 1997.

Secretary of Defense for Command, Control, and Counterintelligence developed the basic policies.

By 1999, the effort had resulted in a functioning IC Assignment Program (ICAP), which produced rotational assignment guidelines for aspiring Senior Executive Service candidates across the IC. They loosely tied to the Defense Leadership and Management Program (DLAMP) largely because funding from that effort could offset the cost of backfilling rotational assignments within DoD. The governing board included representatives from across the IC, as well as the OUSD (P&R).

Performance-Based Compensation at the National Geospatial-Intelligence Agency

During the same period, NGA (first known as the National Imagery and Mapping Agency) was created to bring together six predecessor organizations with disparate civilian personnel systems. NGA chose a single HR system to streamline administration and establish its identity.

In 1998, the Office of the Secretary of Defense authorized NGA to conduct a five year pilot test that was later extended. Widely regarded as a success, the "Total Pay Compensation" program substantially influenced the design of the ODNI Pay Modernization framework and provided underlying principles for what would become DCIPS. By the time DCIPS was being considered for expansion to other intelligence components, NGA had almost a decade's worth of experience with this type of performance-based management system.

Post 9/11 Congressional Studies of the Intelligence Community

The 9/11 terrorist attacks set in motion efforts to determine how the United States was caught by surprise and establish steps to prevent this type of attack from happening again. The first study, conducted by the House Permanent Select Committee on Intelligence and the Senate Select Committee on Intelligence, found that:

> The important point is that the Intelligence Community, for a variety of reasons, did not bring together and fully appreciate a range of information that could have greatly enhanced its chances of uncovering and preventing Usama Bin Ladin's plan to attack these United States on September 11, 2001.[10]

The report continued:

> …Intelligence Community agencies did not adequately share relevant counterterrorism information prior to September 11. This breakdown in communications was the result of a number of factors, including differences in the agencies' missions, legal authorities, and cultures. [11]

This was followed by the 2004 9/11 Commission report, which identified structural barriers to performing joint intelligence work:

[10] Report of the Joint Inquiry into the Terrorist Attacks of September 11, 2001, Dec. 2002, p. 33.
[11] Ibid, p. 77.

> National intelligence is still organized around the collection disciplines of the home agencies, not the joint mission. The importance of integrated, all- source analysis cannot be overstated. Without it, it is not possible to "connect the dots." No one component holds all the relevant information.[12]

The Commission recommended the establishment of a National Intelligence Director that would have, among other powers, the authority to:

> …set personnel policies to establish standards for education and training and facilitate assignments…across agency lines.[13]

Intelligence Reform Legislation

With the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), Congress adopted most of the 9/11 Commission's recommendations, including creation of the DNI. This new position would report to the President and have broad responsibilities for intelligence issues, including the ability to establish HR policies for the IC that would serve the purposes of:

- Encouraging and facilitating assignments and details of personnel…between elements of the intelligence community.
- Setting standards for education, training, and career development of personnel of the intelligence community.
- Encouraging and facilitating the recruitment and retention by the intelligence community of highly qualified individuals for the effective conduct of intelligence activities.
- Ensuring that the personnel of the intelligence community are sufficiently diverse for purposes of the collection and analysis of intelligence through the recruitment and training of women, minorities, and individuals with diverse ethnic, cultural, and linguistic backgrounds.
- Making service in more than one element of the intelligence community a condition of promotion to such positions within the intelligence community as the Director shall specify.
- Ensuring the effective management of intelligence community personnel who are responsible for intelligence community-wide matters.[14]

The ODNI would also "…prescribe, in consultation with…other agencies or elements of the intelligence community, and the heads of their respective departments, personnel policies and

[12] Final Report of the National Commission on Terrorist Attacks Upon the United States (9/11 Commission Report), 2004, p. 408.
[13] Ibid, p. 414.
[14] Intelligence Reform and Terrorism Prevention Act Of 2004, Sec. 102(A)(3)(f)(1-5), Public Law 108–458, 118 Stat. 3649, Dec. 17, 2004.

programs applicable to the intelligence community…"[15] President George W. Bush signed the IRTPA into law in December 2004.

Weapons of Mass Destruction Commission

In February 2004, President Bush signed an Executive Order creating the Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction, more widely known as the WMD Commission.[16] The commission studied the intelligence failures that led to the IC's conclusions prior to the March 2003 initiation of Operation Iraqi Freedom that Iraq had been developing WMDs.

The WMD Commission recommended that the DNI establish a central HR authority for the IC; create a uniform system for performance evaluations and compensation; develop a more comprehensive and creative set of performance incentives; direct a "joint" personnel rotation system; and establish a National Intelligence University.[17]

National Intelligence Civilian Compensation Program

Based on guidance provided by the 9/11 and WMD Commissions, the ODNI developed a Strategic Human Capital Plan in 2006 that identified the major challenges to building a strong IC human resources program. These challenges included:

- Hyper-competition in the war for talented employees'
- Insufficient diversity as the IC did not keep pace with the nation's increasingly diverse civilian labor force;
- An imbalanced workforce where years of tight budgets and constrained hiring resulted in disproportionate concentrations of employees within two groups: relatively new (post-9/11) recruits and retirement-eligible employees;
- Generation gaps with new hires seeking a different balance between work and family, job and career; and
- Competition with contractors that recruit IC employees, then "lease" them back to the federal government at considerably greater expense.

ODNI officials concluded that the GS pay system, created in the 1940s, was inadequate to meet the challenges that the IC now faced. Among other things, ODNI believed that the IC workforce had changed significantly since the system did not align with modern notions of performance-based compensation. Clerks who rarely changed jobs or positions had been replaced by highly skilled and specialized knowledge workers who were more mobile. Further, the GS system

[15] Ibid.
[16] Executive Order 13328, Feb. 6, 2004.
[17] The Commission on the Intelligence Capabilities of the United States Regarding Weapons of Mass Destruction. Report to the President of the United States, Mar. 31, 2005, p. 321,.

rewarded longevity over performance and pay increases were delayed as employees built time within grade.[18]

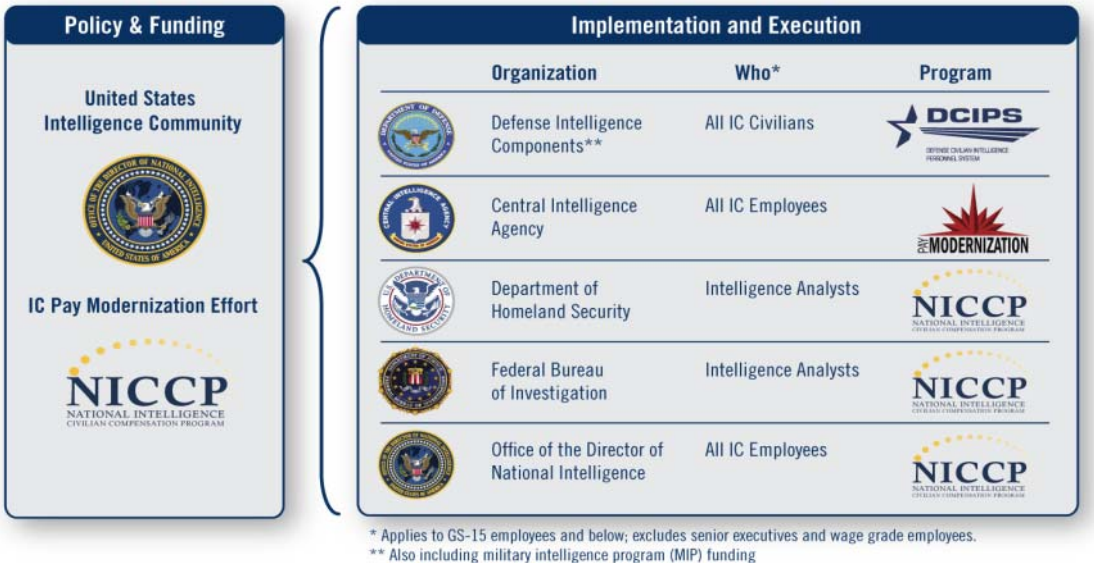
In cooperation with Cabinet departments and agencies with authority to establish pay systems for IC employees, ODNI began to design an overarching framework that moved away from the GS system and toward more performance-based systems. The resulting pay modernization framework had two fundamental elements at its core:

- Performance Management**.** Setting and communicating employee performance objectives, continually monitoring performance, providing feedback, and recognizing the accomplishment of individual and organizational goals and objectives.
- Performance-Based Pay**.** Higher performance and greater contributions to the IC would result in higher pay potential based on key components, including broad pay bands, three specific work categories, and several work levels within each work category.

As noted previously, NGA operated under a performance-based compensation program since 1999. This model would prove to be an exemplar for the new framework developed by the ODNI-led pay modernization effort. The IC agencies adopted that framework, the National Intelligence Civilian Compensation Program (NICCP), to guide their individual efforts.

The following chart identifies the IC agencies and the names of their respective Pay Modernization programs based on the framework:

Figure 2-1. IC Pay Modernization Effort



Source: Office of the Director of National Intelligence

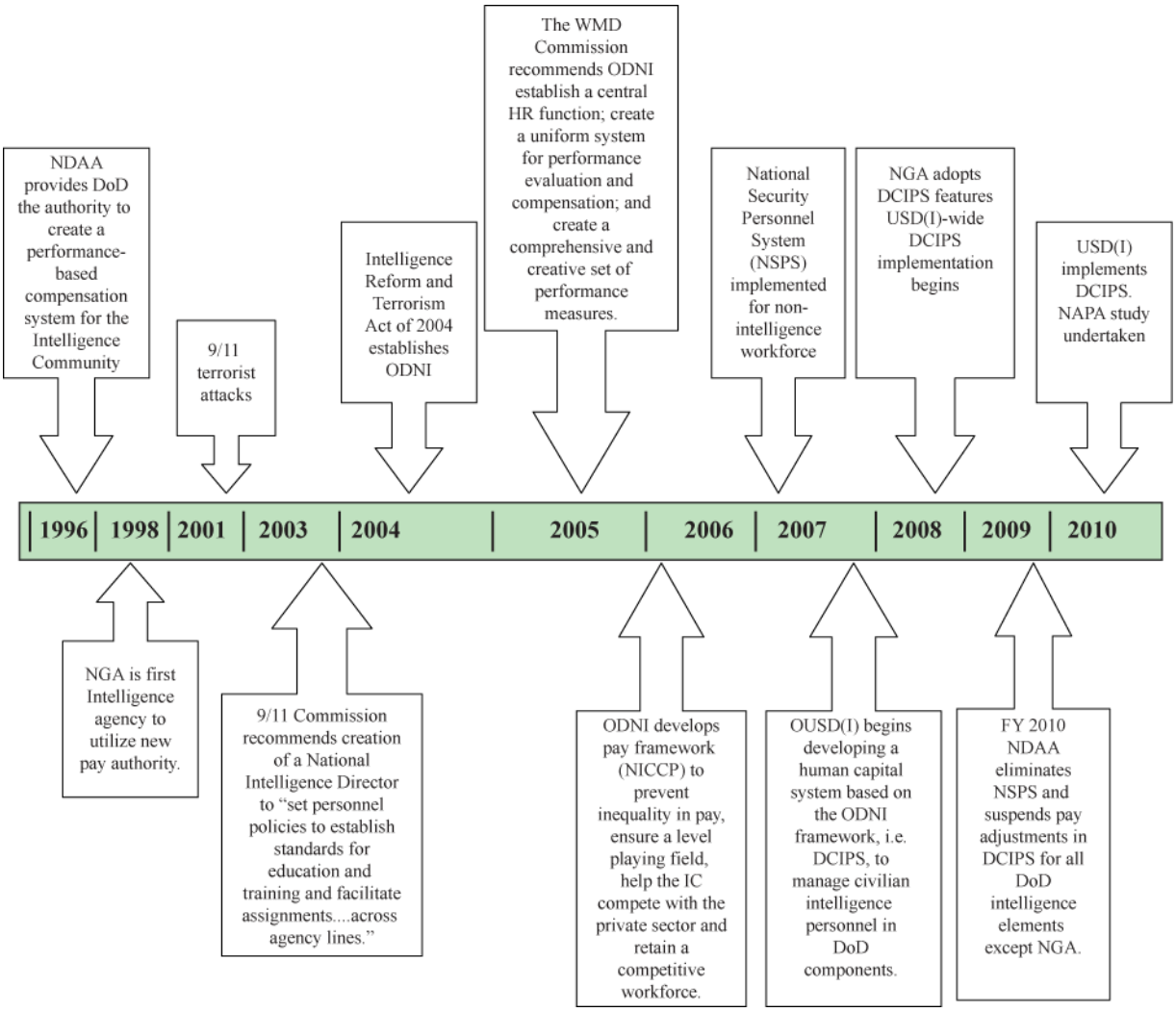
[18] National Intelligence Civilian Compensation Program. Intelligence Community (IC) Pay Modernization Key Facts. PowerPoint briefing, May 15, 2008.

Role of the Office of the Under Secretary of Defense (Intelligence)

Operating under the Pay Modernization framework and the NGA model, OUSD(I) began to develop its own human capital system in 2006 for the DoD intelligence components, including itself, the National Security Agency, Defense Intelligence Agency, National Reconnaissance Office, Defense Security Service, NGA, Army Intelligence, Navy Intelligence, Marine Corps Intelligence, and Air Force Intelligence.

This new performance-based compensation system, the Defense Civilian Intelligence Personnel System (DCIPS), was developed through a joint effort involving all DoD intelligence components. In 2007, the decision was made to use a phased approach, with the components implementing all or portions of DCIPS over several years.[19] Figure 2-2 identifies major events along the path of DCIPS' development.

Figure 2-2. DCIPS Timeline



[19] See Table 1-1 for further detail regarding this phased approach.

OTHERS FACTORS THAT IMPACTED DCIPS

Differing Perspectives on Performance-Based Compensation

Linking employee pay more closely to job performance is not new to the federal government. A table published by the MSPB's Office of Policy Evaluation identifies some of the major efforts to bring this about over the past half century.

Table 2-1. Major Efforts to Link Federal Pay to Performance

Major Efforts to Link Federal Pay to Performance	
1954	Incentive awards program greatly expanded to encourage managers to reward outstanding contributors
1962	• Federal Salary Reform Act provides managers with quality step increase to reward top performers • Civil Service Reform Act passed • Performance appraisal reforms
1978	• Large cash awards for employees • Merit pay and cash awards for GS13–15 managers • Senior Executive Service (SES) and performance incentives established • Demonstration projects (Pay-banding, China Lake, etc.)
1980–1982	Bonuses limited to 25 percent of salary and 20 percent of career SES members
1984	Congress creates Performance Management and Recognition System (PMRS) to replace merit pay for mid-level managers
1989	Agencies covered by Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) receive authority to develop their own pay systems
1990	Concerns about pay resulting in recruitment and retention problems lead to the Federal Employees Pay Comparability Act (FEPCA)
1993	PMRS terminated
1995	• Performance management systems decentralized • Federal Aviation Administration receives authority to develop new compensation system
1998	Internal Revenue Service receives authority to redesign its pay system
2000	OPM decentralizes control of SES performance ratings
2002	Homeland Security Act creates Department of Homeland Security and provides authority for it to design its own pay system
2003	• National Defense Authorization Act for fiscal year 2004 grants DoD authority to develop and implement a new pay system • Human Capital Performance Fund established
2004	SES performance-based compensation plan implemented

A piecemeal approach to granting pay authorities to federal agencies has led to what OPM John Berry has described as the "balkanization" of federal pay systems.

Studies often reach opposite conclusions as to whether performance-based compensation can work well in the federal government. Among the arguments that senior officials make in support of performance-based compensation systems:[20]

- Not all employees are equal; some contribute much more than others. The GS step-increase system rewards longevity, not performance;
- Funds are limited and it is necessary to make the best use of the available money; across-the-board or general salary increases do not represent the best use of funds;
- It will enhance recruiting among the "millennial" generation of workers who are more accustomed to instant feedback and recognition and would not be content with a tenure-based system;
- It helps reinforce the performance management system by putting some amount of potential pay increase or bonuses at risk;
- The prospect of pay increases as an effective motivator is a deeply entrenched value in the United States;
- Performance-based compensation is virtually universal for white-collar workers outside the public sector, and has proven effective in driving organizational performance in the private sector; and
- Most of the demonstration projects have implemented performance-based, broadband pay systems, and OPM evaluations have concluded that these interventions have produced improvements to agency results-oriented performance culture and the ability to recruit and retain a high-quality workforce.[21]

Among the arguments that opponents make:[22]

- Gains in productivity and mission performance must exceed the costs of performance measurement if performance-based compensation is to work. Because performance measurement in federal work is imprecise, there is little evidence that these systems are worth the costs;
- Federal work is multidimensional, done in teams, and subject to multiple supervisors and multiple objectives. Linking pay to individual performance has potentially negative consequences: undermining teamwork, levels of cooperation, and even relationships among teams within an organization;

[20] Excerpted from Pay for Performance: A Guide for Federal Managers. Howard Risher. IBM Center for the Business of Government, Nov. 2004.
[21] Testimony of former OPM Director Linda Springer before the House Subcommittee on Federal Workforce, Postal Service, and the District of Columbia, July 31, 2007.
[22] Excerpted from Pay for Performance. A.C. Hyde. The Public Manager. 2008, supplemented by Academy research.

- Partisan politics could play an increasing role in the bureaucracy, which could have a potential impact on the "neutral competence" of the public service;
- Giving managers additional flexibility to set pay can aggravate existing biases in the system;
- The GS pay system can accomplish all of the goals of performance-based compensation without the disruption; and
- Most (performance-based compensation) plans share two attributes: They absorb vast amounts of management time and resources, and they make everybody unhappy.[23]

On balance, both sides of the argument for and against performance-based compensation have merit. In any event, the Panel believes that a decision to implement such a system must be weighed very carefully, and a decision to move forward must be made in the context of what is most appropriate for the mission and environment of the agency.

National Security Personnel System

Attempts to implement performance-based personnel systems at the Department of Homeland Security, and more recently, at the DoD itself, have met with little success. At the time of writing, Congress had terminated DoD efforts to adopt a performance-based compensation system, the National Security Personnel System (NSPS), which would have applied to employees of non-intelligence components.[24] It is in this environment that DCIPS implementation is taking place, and as such, the Panel has examined the key similarities and differences between DCIPS and NSPS. Although these two systems share some features, they differ significantly, as discussed in Chapter 3.

Congress provided authority for DoD to develop the system and implementation began in 2006; NSPS replaced the GS grade and step system with a pay band system intended to provide a more flexible, mission-based approach that linked individual performance to mission and organizational goals. NSPS created new policies for establishing pay levels, tenure, hiring, reassignment, promotion, collective bargaining, pay, performance measurement, and recognition. The 2003 legislation authorizing NSPS included highly controversial provisions dealing with labor management issues that resulted in federal litigation. The courts eventually decided in favor of DoD which, over unions' objections, continued with its implementation plans.

By 2009, some 211,000 DoD non-intelligence employees were covered under this new system. Union opposition remained strong, however, and Congress reversed the labor management decisions in 2008. By then, the relationship between DoD and its labor unions was characterized by one union official as follows:

[23] William Mercer, Leader to Leader, Winter 1997, p. 611.
[24] The National Defense Authorization Act for Fiscal Year 2010, Pub. L. No. 111-84, section 1114, 2009.

> Our delegates…(believe) the whole intention of NSPS was to bust unions and dismantle the federal civil service…(I)f it's any way related to NSPS, it's going to be toxic, it's not going to have employee buy-in.[25]

Adding to the controversy, as recently reported in the press, a 2008 report found that white employees received higher average performance ratings, salary increases, and bonuses under NSPS than employees of other races and ethnicities, and that raises and bonuses were sometimes inconsistent with corresponding performance ratings.[26]

In 2009, DoD asked the Defense Business Board, an independent advisory body that operates under the provisions of the Federal Advisory Committee Act, to establish a task group to conduct a review of NSPS. The task group was to provide recommendations to help DoD determine "if the underlying design principles and methodology for implementation (of NSPS) are reflected in the program objectives; whether the program objectives are being met; and whether NSPS is operating in a fair, transparent, and effective manner…"[27]

The *Review of the National Security Personnel System*, published in June 2009, called for DoD to "reconstruct" NSPS in a way that challenged the system's assumptions and design. The report stated that a fix would not be sufficient to solve the problems that NSPS faced. It stopped short of calling for the abolishment of NSPS but recommended that the existing moratorium on transitions of more work units into NSPS be continued.

The report recommended that DoD engage the workforce in the reconstruction; re-commit to partnership and collaboration with the unions; and commit to strategic management and investment in career civil servants. It also recommended changes to processes that involved trust, transparency, monitoring of progress, performance management, and classification.[28] These recommendations were never acted upon given the elimination of NSPS.

Department of Homeland Security Performance-Based Compensation

When Congress created DHS in 2002, it gave the new department authority to replace the GS system with a performance-based compensation system.[29] NSPS aside, the DHS effort covered the largest block of federal employees under such a system. It, too, was vigorously opposed by employee unions and halted by a series of court rulings in 2006. DHS put the performance-based compensation portion of the system, known as MAX HR, on hold in 2007 but continued with the performance management, appeals, and adverse action portions.

In DHS' fiscal year 2009 appropriation, Congress withheld funding for this new system[30] and DHS chose to cease its implementation efforts except at the Transportation Security

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[25] Union leaders make NSPS repeal, personnel reform major priorities. Alyssa Rosenberg. Govexec.com, Sept. 4, 2009.
[26] Defense, *OPM to review NSPS performance pay system*. Federal Times.com. March 16, 2009.
[27] DoD News Release. http://www.defense.gov/Releases/Release.aspx?ReleaseID=12679. May 15, 2009.
[28] Report to the Secretary of Defense. Review of the National Security Personnel System. Report FY09-06.
[29] Pub. L. 107-296, T. VIII, Subtitle E, Sec. 841, Nov. 25, 2002.
[30] Pub. L. 110-329, Sep. 30, 2008.

Administration (TSA), which operated under a different statute.[31] Non-TSA DHS employees were returned to the GS system.

Office of Personnel Management

OPM is considering significant revisions to the GS system, including employee evaluation, recognition, and reward. At this time, it has not unveiled its new proposals, but some of the office's 2010-2015 Strategic Plan objectives relate to performance-based systems:

> Ensure the federal workforce and its leaders are fully accountable, fairly appraised, and have the tools, systems, and resources to perform at the highest levels to achieve superior results. Help agencies become high-performing organizations by:
>
> - Designing performance management systems that are integrated with agency program planning and clearly show employees how their actions drive agency results; and
> - Creating fair and credible standards for individual performance appraisal and accountability.
>
> .
>
> Recognize, select, and sustain individuals who provide strong leadership and direction for agencies by:
>
> - Evaluating the agency's effectiveness in holding leaders accountable for agency performance; and
> - Ensuring agencies make meaningful distinctions in evaluating and recognizing different levels of management performance.[32]

Notwithstanding these themes of accountability, performance management, and individual performance standards, OPM has not yet publicly stated how the proposed changes to the GS system will affect existing performance-based compensation systems.

Government Accountability Office

The U.S. Government Accountability Office (GAO) has extensively studied performance-based compensation systems, including DCIPS and NSPS.[33] Its most recent examination of the former found that although DOD had taken "steps to implement internal safeguards to ensure that DCIPS is fair, effective, and credible…" the implementation of some safeguards could be improved.[34] As a result of discussion groups conducted with DoD employees and supervisors,

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[31] Aviation and Transportation Security Act, Pub. L. 107-71, Sec. 111(d), Nov. 19, 2001.

[32] http://fehb.opm.gov/strategicplan/StrategicPlan_20100310.pdf

[33] In addition to reviewing the performance-based compensation systems of other federal agencies, GAO has a performance-based compensation system of its own. Under authorities provided by the GAO Personnel Act of 1980 (Pub. L. 96-191), GAO implemented a broad-band performance-based compensation system for GAO analysts and specialists in 2006 and 2007. This system was designed to provide rewards based on knowledge, skills, and performance, as opposed to longevity. It also provided managers with additional flexibility to assign and use staff. See GAO Human Capital Reform Act of 2004, Pub. L. 108-271.

[34] DOD Civilian Personnel: Intelligence Personnel System Incorporates Safeguards, but Opportunities Exist for

GAO found positive views about the concept of pay for performance but believed that DCIPS was being implemented too quickly with many questions unanswered.[35]

In its final report, GAO recommended that DoD institutionalize a process for employee involvement in future design and implementation changes to DCIPS. Among its recommendations:

- Issue guidance on the analysis of finalized ratings that explains how demographic analysis for ratings will be conducted to ensure equity, fairness, and non-discrimination in ratings;
- Finalize and execute a DCIPS evaluation plan with metrics to assess the system, to include internal safeguards, and help ensure the department evaluates the impact of DCIPS; and
- Expeditiously implement processes to accurately identify and measure employee perceptions, and ensure those mechanisms include questions regarding certain safeguards, such as the internal grievance process and employee acceptance of DCIPS.[36]

DoD accepted these recommendations and is implementing them.

Federally Employed Women[37]

As noted earlier in the discussions of the DoD NSPS and DHS MAX HR experiences, organizations that represent federal employees have been less that enthusiastic regarding alternative pay systems. In another example, a 2009 survey conducted by Federally Employed Women (FEW) of its members who were working under performance-based compensation systems found that, by a two to one ratio, respondents did not support these systems.[38] FEW members did, however, cite some benefits of performance-based compensation systems, including the requirement that employees and supervisors meet annually to discuss performance, mutually setting objectives that allow employees to know exactly how their job fits into mission accomplishments, and more directly rewarding employees for their work rather than their longevity on the job.

Objections in the survey focused on implementation issues, not the principle of linking pay to the work performed. These included a lack of training and instructions for managers, pay pool panels with no connections to the workers whose salaries they determine, and an emphasis on writing rather than presentation skills in supervisory evaluations of their staff.

Improvement. GAO-10-134, Dec. 17, 2009.

[35] Ibid.

[36] Ibid.

[37] Federally Employed Women (FEW) is a private membership organization working as an advocacy group for women employed by the federal government and the District of Columbia Government.

[38] Pay for Performance Position Paper from Federally Employed Women. January 7, 2010.

NATIONAL DEFENSE AUTHORIZATION ACT OF 2010

The strong level of Executive and Legislative Branch support for creation of performance-based compensation systems has weakened since 2003. Both MAX HR and NSPS were controversial from their inception and the targets of litigation from employee unions. Reacting to the resistance of their federal employee constituents to performance-based compensation design and implementation, Members of Congress initiated agency inquiries and frequent committee hearings.

As a further sign of the flagging political support for such systems, now-President Barack Obama wrote to the President of the American Federation of Government Employees during the closing weeks of the 2008 presidential campaign to express his priorities on federal workforce issues:

> ….DoD has stated that it will implement final regulations on…(NSPS) in October. I agree with you that it is inappropriate and unwise for DoD to implement such a highly contentious, ill-conceived program so late in this administration, particularly following the vast revisions to the program included in the FY08…(NDAA). It is clear to me that the intention of Congress was to reinstate collective bargaining. Yet DoD is still moving forward with a personnel system that prohibits most collective bargaining.
>
> Based on my conversations with DoD civilian employees, I have several concerns about the NSPS pay system, including the aforementioned restrictions on bargaining rights, the disconnection between pay and performance despite what employees have been told, the requirement that performance ratings be pushed into a forced distribution, or bell curve, the suppression of wages by permitting bonuses to be paid instead of base salary increases, and the virtual elimination of merit consideration in the promotion process.
>
> Further, the class action lawsuits alleging race, gender, and age bias by employees placed under pay systems similar to NSPS in other agencies should give us pause. I cannot and will not support a pay system which discriminates against employees, and I cannot and will not support a pay system which ultimately is designed to suppress wages for civilian DoD employees over time.

In March 2009, DoD suspended conversion of new DoD elements into NSPS pending the Defense Business Board review described earlier. In April, eight House chairmen and subcommittee chairmen sent a letter to the U.S. Office of Management and Budget urging the Obama Administration to suspend any further government-wide implementation of performance-based compensation. Subsequently, the Conference Report for the Fiscal Year 2010 National Defense Authorization Act (NDAA) "repeal(ed) the authority for the National Security Personnel System (NSPS) and require(d) the transition of NSPS employees to previously existing civilian personnel systems…"

The 2010 NDAA, signed into law in October 2009, terminated NSPS. It did not order an end to DCIPS but did suspend certain DCIPS performance-based compensation authorities until December 31, 2010,[39] including a prohibition against setting pay using the pay pool process, which was to have begun in January 2010. It allowed DoD to implement the performance management provisions of DCIP and exempted NGA, the only DoD intelligence component to have fully implemented DCIPS at the time of the suspension.

DCIPS Interim

This "strategic pause" in DCIPS implementation and suspension of its pay authority required OUSD(I) to develop an interim system—DCIPS Interim—to calculate employee pay and implement the performance management elements of DCIPS not affected by the NDAA. The result has been workforce confusion over whether the problems perceived arise from DCIPS itself or from the interim system.

Developing an interim system to accommodate NDAA requirements added additional complexity to an already complicated process. A substantial array of policies and procedures had to be developed and implemented quickly to provide a performance and compensation system that could bridge the interim period for tens of thousands of DoD employees. These new policies added to existing challenges and led many employees to conclude that DCIPS is less transparent, more confusing, and less fair than what it replaced.

The Academy's open forums and online dialogue indicate that employees routinely confuse the interim policies and practices with DCIPS policies and practices. Knowing exactly where DCIPS ends and DCIPS Interim begins is almost strictly the province of DoD intelligence component HR professionals.

[39] The 2010 NDAA suspended fixing "rates of basic pay" under DCIPS "for employees and positions within any element of the Intelligence Community," except for NGA. It also required "rates of basic pay" to be fixed in accordance with provisions of law that would otherwise apply during the period beginning on the date of enactment and ending on Dec. 31, 2010. Pub. L. 11-84, Sec. 1114, 2009.

CHAPTER 3

ASSESSING DCIPS' DESIGN

INTRODUCTION

The Panel has concluded that DCIPS' design is fundamentally sound and adheres to accepted design principles for performance-based compensation systems. Most importantly, DCIPS fully retains the Merit Systems Principles and other basic protections afforded employees in the federal civil service and include a set of checks and balances to ensure fairness and equity in performance management and pay pool decisions. It also incorporates design features derived from lessons learned from best practices and challenges faced by the recently-terminated NSPS.

Looking beyond these fundamental attributes, the Panel believes that DCIPS' design includes several other strengths: the simplicity and clarity of its occupational structure, a single pay banding system, its rigorous performance management system, separate performance management and pay pool processes, and its planned process for ongoing system evaluation. Although the Panel has identified a number of areas in this chapter where improvements can be made, the Panel does not consider these to be fatal design flaws, but, rather, opportunities to further tailor, strengthen, and refine a system that is already fundamentally sound.

In that context, the Panel believes that full acceptance of DCIPS will require examination of its performance-based compensation policies and further tailoring the system to the mission of the DoD Intelligence Enterprise so that DCIPS becomes a part of its culture, rather than just another HR experiment. Based upon the findings discussed below, the Panel offers several recommendations, listed at the end of this chapter, to strengthen DCIPS' design.

Table 3-1 summarizes the Panel's findings regarding DCIPS' alignment with the design principles that form the assessment framework.

Table 3-1. Summary of DCIPS Design Assessment

Design Principle	DCIPS's Alignment with Design Principles		
	Fully Aligned	Partially Aligned	Not Aligned
1. The system is transparent and easy for managers and employees to understand.	✓		
2. The performance-based pay system is designed to support the organization's mission and environment.	✓		
3. The system uses a simplified classification process with a streamlined pay bands.	✓		
4. A rigorous performance management system is the foundation for the performance-based	✓		

Design Principle	DCIPS's Alignment with Design Principles		
	Fully Aligned	**Partially Aligned**	**Not Aligned**
compensation system. At a minimum, the performance management system allows managers and supervisors to distinguish "Outstanding," "Fully Successful," and "Unacceptable" performers.			
5. The system identifies the balance among three aspects of equity: internal, external/market, and organizational contribution.	✓		
6. The system's design includes a set of checks and balances to ensure fairness. The system includes a process for quick review of pay band decisions. The system includes a process for review of performance ratings and payout decisions.		✓	
7. The system is supported by adequate funding to provide meaningful performance-based payouts.		✓	
8. The system is designed to be sufficiently flexible and responsive to changing market conditions to meet the agency's HR needs for years to come.		✓	
9. The system's design includes a requirement for ongoing evaluation of the system with the possibility of corrective action.	✓		

In response to the NDAA's mandate, as described earlier, this chapter addresses the appropriateness or inappropriateness of DCIPS in light of the complexities of the workforce affected, and its sufficiency in providing protections for diversity in the promotion and retention of personnel. The chapter approaches these issues by considering DCIPS' design, describing the components of its performance-based compensation system and comparing them with guiding principles that form the assessment framework. The assessment focuses on those aspects that are documented in official policies (DoD Instructions) and other guidance, such as fact sheets, memoranda, and official guidance issued by OUSD(I).

The chapter then compares DCIPS with the GS/GG system[40] that has been in place in the federal government for more than 60 years. It also identifies the similarities and differences between DCIPS and the NSPS, which was developed for DoD's non-intelligence workforce but then repealed.

[40] GS is the designation for the General Schedule that establishes position and pay levels in the federal government, while GG is the designation used for GS-like positions in the Excepted Service. Salary rates for most GG positions are identical to those of GS positions.

FRAMEWORK FOR ASSESSING DCIPS' DESIGN

Adopting a performance-based compensation system is complex and challenging; it introduces a fundamental change in compensation philosophy as part of a broader change in organizational culture. There is no widely accepted model for designing a successful system, but there are guiding principles, best practices, and lessons learned that can help to facilitate success or mitigate risks.

Two main sources provide guidance for assessing the design of a performance-based compensation system. First, a 2004 Academy Panel study identified "design principles" for such a system.[41] Although the report recommended the development of a government-wide system using broad-banding and market pay, the design principles are equally relevant to agency-specific ones. Second, a 2006 MSPB report provided detailed guidance for federal agencies that wish to undertake the design and implementation of a performance-based compensation system.[42]

These two sources, coupled with 2008 OPM guidance[43] and validated by additional research of best practices, provide a consolidated set of design principles. Table 3-1 summarizes these principles, each of which will be used to assess DCIPS throughout this chapter.

Table 3-2. Design Principles for Performance-Based Compensation Systems

Design Feature	Guiding Principle
Overall System Design	• The system is transparent and easy for managers and employees to understand. • The system is tailored to the environment of the agency and supports the agency in achieving its mission, human capital management plans, and strategic goals and objectives.
Classification/Pay Bands	The system uses a simplified classification system with a streamlined pay banding structure.
Performance Management System	A rigorous performance management system is the foundation for the performance-based compensation system. At a minimum, the performance management system allows managers and supervisors to distinguish "Outstanding," "Fully Successful," and "Unacceptable" performers.
Equity	The system identifies the balance among three aspects of equity: 1. internal 2. external/market 3. organizational contribution
Adequate Funding	The system is supported by sufficient funding to provide employees with meaningful pay increases and bonuses.
Internal Checks and	The system provides a streamlined process for quick reviews of

[41] National Academy of Public Administration, *Recommending Performance-Based Federal Pay*, May 2004. Hereafter "2004 Academy Panel Design Principles Study."
[42] U.S. Merit Systems Protection Board, *Designing an Effective Pay for Performance Compensation System*, Jan. 2006. Hereafter "2006 MSPB Design Report."
[43] Office of Personnel Management, Alternative Personnel Systems Objectives-Based Assessment Framework Handbook, Oct. 2008.

Design Feature	Guiding Principle
Balances to Ensure Fairness	disputed band classification and performance decisions.
Flexibility	The system is sufficiently flexible and responsive to changing market conditions to meet the agency's needs.
Ongoing System Evaluation	The system's design includes a requirement for ongoing evaluation of the system with the possibility of corrective action.

To supplement and update these criteria, the Academy conducted two colloquia attended by Panel members, Academy Fellows, and senior experts on performance management and pay-for-performance systems. The participants assessed DCIPS' design and ranked the importance of specific design elements. The results showed that the top three elements were: (1) linkage to mission, (2) a performance management system that differentiates levels of performance, and (3) transparency. These results were applied in the Panel's assessment of DCIPS.

NATIONAL INTELLIGENCE CIVILIAN COMPENSATION PROGRAM

DCIPS was designed to conform to the policies of the NICCP, which was promulgated by ODNI for the entire IC and discussed in Chapter 2. NICCP's goal was to unify the 17 IC components under one common framework in place of the six different personnel systems that were used. IC agencies and Executive departments with authority to create their own compensation systems must incorporate NICCP principles into their own systems.

The NICCP framework responds to concerns that the GS system no longer meets the needs of the IC workforce. Like many agencies across the federal government, ODNI viewed the system as inadequate because it fosters the perception that promotions are based on longevity, not merit; lacks the necessary tools to hold poor performers accountable; and does not include a strong basis for linking pay to performance.

As illustrated in Figure 3-1, the NICCP case for modernizing compensation is based on a tiered set of objectives: strengthen and transform the IC; provide a level playing field for IC agencies and elements; and reinforce and reward excellence.

Figure 3-1. Objectives of the NICCP Framework[44]

DCIPS conforms to the NICCP framework and, at the same time, tailors it to the needs of the DoD intelligence components. For example, NICCP defines a common occupational structure and provides a general framework for setting basic rates of pay, managing performance, and paying for performance, but DCIPS' specific design features include a comprehensive performance management system and performance-based compensation system, both of which offer greater specificity, including defining roles and responsibilities for managing and overseeing the system. Each design feature is discussed in the following sections.

DCIPS' OVERALL DESIGN

A strong performance management system is the foundation for DCIPS' performance-based compensation system. Some stakeholders believe that DoD could have strengthened the former within the context of the existing GS/GG system and avoided the organizational disruption that occurs when implementing the latter. Others argue that performance management under the current system cannot motivate improved performance without incentives associated with performance-based compensation.

It is unclear whether federal performance management systems can achieve the goal of enhanced performance without linking performance to compensation. Nor are there strong research results that link performance-based compensation systems to improved individual or organizational performance. A 1991 National Research Council report concluded that variable pay plans can produce positive effects, but that there is insufficient evidence to determine conclusively whether merit pay—also known as pay for performance—can enhance individual performance.[45]

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[44] ODNI, NICCP Framework.

[45] National Research Council, *Pay for Performance*, George T. Milkovich and Alexandra K. Wigdor, Editors, with Renae F. Broderick and Anne S. Mayor, National Academy Press (Washington, D.C.: National Academy Press), 1991.

Additionally, the Review of Public Personnel Administration recently shed light on this topic in a discussion of the Performance Management and Recognition System (PMRS), a recent attempt to implement performance-based compensation in the federal government.[46] The article noted that the PMRS generated little, if any, evidence of a positive effect on productivity, worker satisfaction, or job turnover. It further found that the new performance-based compensation system for the Senior Executive Service had no impact on performance.[47]

Ultimately, the decision to shift from the GS/GG system to a performance-based compensation system must be made with appropriate consideration of the system's intended goals and objectives, the resulting challenges, and an organization's readiness for sweeping change. Implementing a system like DCIPS requires a major cultural shift, and agency leaders are best positioned to determine whether their goals can be fully achieved within an existing framework or a new system. For some organizations, the GS/GG system may prove adequate, while others may find it necessary to design a unique system.

USD(I) has concluded that a new system—DCIPS—is needed to support the goals of the DoD intelligence components. The focus then turns to the issues discussed above: the intended goals and objectives, the challenges, organizational readiness, and whether aspects of the system could be improved to ensure equity, fairness, and meaningful recognition for employees.

DCIPS was designed as a comprehensive system for the DoD intelligence components that will affect all aspects of HR management, including performance management, compensation, position classification, recruitment and staffing, and employee development. Although it is envisioned as a broad, multi-faceted HR system, only a few of its elements were fully operational and documented in approved policies at the time of this review. These pertain to a performance-based compensation system, specifically:

- Occupational structure and pay bands;
- DCIPS' performance management system;
- Performance-based pay; and
- Rewards and recognition.

Based on its evaluation according to the design principles that have been drawn from the MSPB, Academy, and OPM guidance, the Panel finds that the design of DCIPS is fundamentally sound. Use of a tailored occupational framework, a single pay band structure, a rigorous performance management system, and separate performance management and pay pool processes all contribute to the strength of DCIPS' design. The sections that follow describe how the specific elements of DCIPS align with the design criteria that form the assessment framework.

[46] James S. Bowman, "The Success of Failure: the Paradox of Performance Pay," Review of Public Personnel Administration 2010; 30, Nov. 5, 2009, pp. 70-87.
[47] Ibid, p. 73.

PRINCIPLE

The system is transparent and easy for managers and employees to understand.

Simplicity and ease of understanding are key to a well-designed performance-based compensation system. Managers and employees alike must understand what the system's goals are, what they can expect from the system, what is required of them to succeed, and how they will be rewarded. Results from a 2008 study[48] of best practices and lessons learned commissioned by the ODNI Director of Intelligence Staff confirmed that overly complex systems are less likely to gain acceptance and are more likely to risk failure. GAO was cited as an example of an agency whose complex pay process contributed to perceptions of unfairness. Employees never fully understood how their annual increases were determined due to the complexity of the formula by which ratings were translated into actual increases.

The DCIPS' policies and guidance that describe the overall design of the system are generally clear and easy to understand. For the performance-based compensation system, governing policies have been developed and supplemented with clearly written guidance that is available to all employees, managers, and HR staff affected.

Although the manner in which these policies have been implemented (as discussed in Chapter 4) has caused employees to question the transparency of the system, this does not alter the Panel's belief that the fundamental design of the system is transparent and relatively easy to understand. It is the implementation of the policies that has led to confusion, more so than the actual content or intent of those policies.

In addition, the lack of policies and procedures for several major elements of the system has adversely impacted employees' perceptions of DCIPS' transparency. Most policies have been drafted and are in various stages of review and approval. However, the lack of finished policies in critical areas, especially those affecting career progression and pay administration (both of which are linked to performance), has generated a great deal of confusion among the workforce and has undermined the system's transparency and credibility. For example, in the open forums and online dialogue, employees expressed major concerns about the absence of clear policies governing advancement from one pay band to another.

Another critical gap is the lack of a formal policy for considering an employee's "highest previous rate" (HPR).[49] Although OUSD(I) officials indicated that they did not intentionally eliminate the use of HPR, the unavailability of this tool has reportedly disadvantaged certain employees who held higher salaries prior to conversion to DCIPS.

Academy interviews, focus groups, and the online dialogue indicate that some employees have lost confidence and trust in DCIPS because they are unable to obtain answers, or consistent

[48] Pay for Performance (PFP) Implementation Best Practices and Lessons Learned Research Study, Booz Allen Hamilton, June 18, 2008.

[49] Highest previous rate means the highest actual rate of basic pay previously received, or the actual rate of basic pay for the highest grade and step previously held, by an individual, depending on the position in which the individual was employed. [5 CFR 531.202]

answers, to their questions and concerns. These frustrations have been heightened by the perceived lack of knowledge demonstrated by their servicing HR staffs, who themselves have been hampered by the lack of clear policies.

Finding 3-1

Overall, DCIPS' design is transparent and easy to understand, but the lack of approved policies in areas affecting career progression and pay administration is creating confusion and mistrust among the workforce.

Support for Mission/Organizational Environment

PRINCIPLE

The performance-based compensation system is designed to support the organization's mission and environment.

DCIPS' Support for DoD's Intelligence Mission

A successfully designed performance-based compensation system must have clear goals that are well communicated and understood throughout the workforce. As discussed by MSPB,[50] agencies seeking to implement a performance-based compensation system must establish clear, realistic goals prior to undertaking change.

DoD policies clearly express DCIPS' purposes and the ways in which it is intended to support the mission, goals, and objectives of the DoD Intelligence Enterprise. However, managers and employees have varying levels of understanding about the goals.

Senior DoD officials generally agreed that DCIPS' overarching goal is to unify the DoD intelligence components under a common HR management system. The official policy governing DCIPS[51] includes more specific objectives:

- Provide an HR system that supports military and civilian managers in the accomplishment of the intelligence missions of the DoD components with DCIPS positions;
- Create a system of HR policies and management practices that will make the Defense intelligence components attractive places to work and establish them as "employers of choice" for top talent, and that will make DCIPS positions "positions of choice" for top talent; and
- Provide for planned training, education, and diverse assignments that support retention and career development of intelligence professionals in the DoD components with DCIPS positions, and of other career professionals in the Defense intelligence components.

[50] 2006 MSPB Design Report, p. 7.
[51] DoD Civilian Personnel Management System: Volume 2001, Defense Civilian Intelligence Personnel System (DCIPS) Introduction, Dec. 29, 2008.

The Defense Intelligence Enterprise Human Capital Strategic Plan (2010–2015) discusses DCIPS' purpose in more detail.[52] The plan states that "DCIPS will provide DoD leaders and managers with the consistent policy framework needed to hire, develop, compensate, recognize, reward, and retain the high-performing civilian workforce necessary to accomplish the intelligence needs." It further alludes to DCIPS in Objective 1.2 of its workforce goal: "Implement and ensure consistent management and sustainment of DCIPS across the Enterprise."

Senior managers who participated in the focus groups described DCIPS as a way to achieve specific organizational goals or process improvements—for example, make DoD a unified enterprise or stop infighting among DoD intelligence components. None of these managers described DCIPS goals in terms of how they affect mission outcomes.

Meanwhile, HR officials in the DoD intelligence components most often described DCIPS' goals in the context of improving and speeding up HR processes—for example, improved ability to attract, hire, and retain quality staff. Employees who attended the open forums and participated in the online dialogue had different views and levels of understanding about the goals. Overall, they viewed DCIPS as a system designed to support HR functions and processes, but offered a variety of reasons for why the system exists:

- Increase consistency in performance management among the agencies;
- Provide a tool to reward good performance and address poor performance;
- Manage the budget by reducing salary costs;
- Provide a process for faster salary increases for younger employees;
- Link individual performance to the agency's mission; and
- "Get rid" of poor performers.

A clear, consistent message about DCIPS goals must be communicated to the workforce, and senior management must reinforce it frequently. OUSD(I) has not accomplished this to date.[53] Moving forward, DoD components will be hard pressed to ensure buy-in and measure DCIPS' success without first ensuring common understanding of the system's goals and demonstrating how the system supports DoD's intelligence mission.

DCIPS' Support for IC Goals

The level at which performance is assessed and rewarded should reinforce the desired scope of collaboration; this is a fundamental principle of rewarding collaboration. As noted in Figure 3-1. Objectives of the NICCP Framework, reinforcing the IC-wide values of "Commitment, Courage,

[52] Issued by the Office of the Under Secretary of Defense for Intelligence, Human Capital Management Office, undated.
[53] Chapter 4 deals with these communication and strategy challenges in more detail.

and Collaboration" is a key goal of IC pay modernization. DCIPS policies and guiding documents are clear that the system was designed to support this goal.

According to its implementation plan,[54] the business case for implementing DCIPS is grounded in the need to increase sharing and collaboration for the purpose of developing a stronger "community perspective." However, this goal is not adequately reinforced by the DCIPS performance management system, which focuses on individual performance rather than team or organizational performance.

Although the system does not preclude the assessment of group or organizational performance, OUSD(I) has not yet developed procedures for evaluating and rewarding these types of performance as part of the annual performance rating process. The standard element "Engagement and Collaboration" provides a way to measure individual employee performance in such areas as building relationships and promoting collaboration, but there are no comparable measures for teams, groups, or the organization as a whole. Further, the DCIPS policy on awards and recognition[55] provides for team-based awards for special one-time acts, but not in connection with the annual performance evaluation process.

Academy colloquia attendees voiced strong concerns about this aspect of the system's design; they suggested that the focus on individual performance pits employees against each other and is contrary to the goal of unification. Online dialogue and open forum participants expressed similar concerns. Some seemed satisfied with DCIPS' use of the standard performance element to evaluate an employee's contribution to team performance, but more believed that DCIPS will inhibit collaboration by encouraging individual performance at the expense of team achievement.

Further, a recently completed OUSD(I) DCIPS Survey of all DoD intelligence component employees[56] indicated that the lowest percentage of favorable responses pertained to the question dealing with the impact of DCIPS on collaboration. On average, 10 percent of employees agreed or strongly agreed that DCIPS will contribute to increased collaboration within their organization or component.[57]

Given DCIPS' goal to support unification of the DoD intelligence components and the IC and the concerns raised by experts and employees, it is necessary to develop a specific methodology to evaluate and reward group and organizational performance. OUSD(I) officials indicated that a process for doing so will be "included in the long-term evolutionary planning for the program." They noted that team rewards sometimes fail to recognize different levels of individual performance within the group. However, DCIPS was designed to provide an HR system that supports the broader goal of integrating the IC; a process to measure and reward group performance concurrently with individual performance is essential. As MSPB has noted, "Rewarding only individuals when mutual support helps advance organizational goals may

[54] Program Plan for DCIPS Implementation, Jan. 2008.
[55] Department of Defense Instruction Number 1400.25-V2008. DoD Civilian Personnel Management System: *Defense Civilian Intelligence Personnel System (DCIPS) Awards and Recognition*, January 15, 2010.
[56] Preliminary Results of OUSD(I) Survey of DoD intelligence components: Table of Frequencies, provided by OUSD(I), Apr. 30, 2010. Hereafter "2010 DCIPS Survey Preliminary Results."
[57] Ibid. Question 80.

discourage teamwork…to the organization's detriment."[58] Until procedures have been developed to evaluate and reward group performance, monetary and non-monetary awards[59] will be limited to one-time acts, rather than overall annual performance.

OUSD(I) should consider alternative mechanisms to evaluate and reward group and organizational performance. One method of linking individual rewards to organizational performance is in use at the Federal Aviation Administration (FAA), which offers its employees two types of performance recognition. First, an organizational success increase (OSI), in the form of an annual base pay increase, is granted to most employees so long as organizational performance goals are met. Second, a superior contribution increase (SCI) is provided with the OSI to a percentage of highly-ranked employees based on individual performance and contributions.

Finding 3-2

DCIPS is aligned with the mission, goals, and objectives of the DoD intelligence components, but the lack of a process for measuring and rewarding group or team performance is not supportive of the broader IC goal of increased collaboration.

SIMPLIFIED CLASSIFICATION AND PAY BANDS

PRINCIPLE

The system uses a simplified classification process with streamlined pay bands.

For performance-based compensation systems, the Academy's design principles suggest grouping jobs into a few broad bands based on how the work aligns with general career stages.[60] Doing so facilitates the use of generic position descriptions and simplifies and reduces the amount of time spent on position classification. Rather than making classification decisions within the context of the 15-grade GS/GG classification system, pay bands limit the decisions to a few bands.

A key strength of DCIPS' design is its use of a simplified classification process and five pay bands that are part of an occupational structure that consists of the following components:

- Mission Categories. Broad classifications of work that include (1) Collections and Operations; (2) Processing and Exploitation; (3) Analysis and Production; (4) Research and Technology; (5) Enterprise Information Technology; (6) Enterprise Management Support; and (7) Mission Management.

[58] 2006 MSPB Design Report, p. 11.
[59] Department of Defense Instruction Number 1400.25-V 2008, DoD Civilian Personnel Management System: *Defense Civilian Intelligence Personnel System (DCIPS) Awards and Recognition*, January 15, 2010.
[60] 2004 Academy Panel Design Principles Study, p. 45.

- Occupational Groups. Groups of positions that share common technical qualifications, competency requirements, career paths, and progression patterns.

- Work Categories. Broad sets of occupational groups that are characterized by common types of work. There are three DCIPS work categories:

    1. Supervision and Management. Includes work that primarily involves planning, directing, and coordinating the operation of units within components; developing and/or executing strategy; formulating and/or implementing policies; overseeing daily operations; and managing material, financial, or human resources.
    2. Professional. Includes work requiring the interpretation and application of concepts, theories, and judgment.
    3. Technician/Administrative Support. Includes work primarily involving support for the operations and functions of a particular type of work or organizational unit and is technical or administrative in nature.

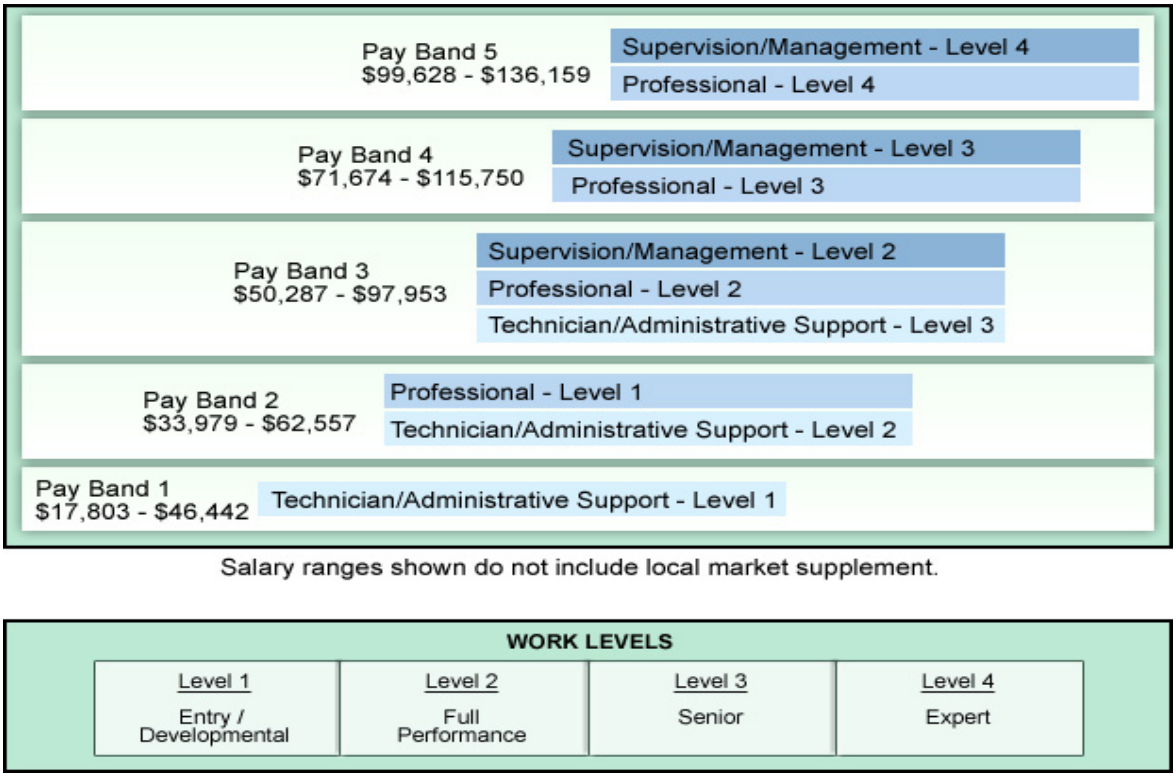
- Work Levels. Define work in terms of increasing complexity; span of authority or responsibility; level of supervision (received or exercised); scope and impact of decisions; and work relationships associated with a particular work category. The four work levels under DCIPS are:

    1. entry/developmental
    2. full performance
    3. senior
    4. expert

- Pay Bands. Grades and steps are replaced and a salary range is aligned to the scope and difficulty of work. There are five DCIPS pay bands, each with a defined minimum and maximum rate of pay.

Figure 3-2 shows the DCIPS pay band structure and its alignment with the work categories and work levels.

Figure 3-2. DCIPS 2010 Pay Band Structure



Source: http:// dcips.dtic.mil/index.

Finding 3-3

DCIPS effectively employs a simplified classification process within a pay banding structure.

Although the DCIPS pay banding structure has greatly simplified the classification process, some managers view a single structure for nonsupervisory employees and their supervisors negatively. As the system provides no additional compensation for supervisors, it creates a type of "salary compression" that can result in subordinate employees earning the same or higher salary as a supervisor in the same band. Many employees also view it as a disincentive for taking on additional responsibilities that accompany a supervisory role. Under DCIPS, there is no mechanism to adjust supervisor salaries to account for this situation.

DoD officials characterize this aspect positively, asserting that a "dual track" enables high performing technical personnel to progress in salary without having to become managers. Some stated that supervision and management are not inherently worthy of higher salary compensation, though they viewed the role of supervisor as critical to successful implementation of the DCIPS performance management system.

Both MSPB and the Academy acknowledge the pivotal role of supervisors in a performance-based compensation system. For example, MSPB's guidance indicates that, "pay for

performance demands a higher level of supervisory skill than traditional tenure-based systems"[61] and places more pressure on supervisors to perform their responsibilities well and treat their employees fairly. The Academy Panel's guidance on performance-based compensation systems strongly articulates the need for separate bands for supervisors and managers.[62]

The Panel acknowledges that most performance management responsibilities under DCIPS—establishing performance objectives, engaging in ongoing dialogue with employees, and rating performance—also were required under the GS/GG system. Apparently, these responsibilities were not being fully performed prior to their importance being highlighted under DCIPS. Nevertheless, the Panel believes that it is important to DCIPS' success to recognize and reward the role that supervisors play in the performance management process. Absent such a tool, DoD's ability to attract and retain high-quality supervisors to DCIPS positions likely will be impaired.

Other federal HR systems have used different approaches to recognize the critical role of supervisors in performance-based pay systems. Under the Department of Commerce's Alternative Pay System (formerly a demonstration project), all supervisors are eligible for salaries up to six percent higher than the maximum rate of their pay bands. This additional compensation, which can be attained through performance pay increases granted in connection with the regular performance appraisal cycle, provides an additional incentive for supervisors and managers who perform well in these roles.[63]

Finding 3-4

DCIPS' lack of specific salary incentives for supervisors within the pay band structure may impede DoD's ability to attract and retain high quality supervisors.

DCIPS' PERFORMANCE MANAGEMENT SYSTEM

PRINCIPLE

A rigorous performance management system that identifies the "Outstanding," "Successful," and "Unacceptable" performers is the foundation for the performance-based compensation component of the pay system.

Academy[64] and MSPB[65] guidance demonstrates that a rigorous performance management system is the foundation of an effective performance-based compensation system, as did the GAO in 2003 Congressional testimony.[66] All three sources indicate that the system must require and

[61] 2006 MSPB Design Report, p. 6.
[62] 2004 Academy Design Principles Study, p. 25.
[63] "Department of Commerce Alternative Personnel System Operating Procedures," updated May 23, 2007.
[64] 2004 Academy Panel Design Principles Study, p. 50.
[65] 2006 MSPB Design Report, p. 6.
[66] GAO, *Results-Oriented Cultures: Modern Performance Management Systems are Needed to Effectively Support Pay for Performance*, GAO-03-612T (Washington, DC), Apr. 1, 2003.

enable managers and supervisors to communicate the agency's goals and values to employees and the way that performance will be measured. As the GAO testimony pointed out:

> While there will be debate and disagreement about the merits of individual reform proposals, all should be able to agree that a performance management system with adequate safeguards, including reasonable transparency and appropriate accountability mechanisms in place, must serve as the fundamental underpinning of any fair, effective, and appropriate pay reform.[67]

DCIPS' performance management system is another strong aspect of its design, and DoD intelligence component managers and employees identify it as one of DCIPS' most positive features. Both groups indicated that requiring continuing dialogue between employees and rating officials is a welcome change that will lead to better understanding between employees and their supervisors and better distinctions among performance levels. They also believed that requiring rating officials to conduct and document at least one performance discussion with employees at the mid-point of the rating period is another strong feature supporting improved performance and meaningful distinctions at the end of the rating cycle.

Managers and employees generally view the DCIPS performance management system positively, but a significant number stated that it creates an administrative burden for supervisors. Effective performance management should be viewed not as an additional duty, but as an inherent part of a supervisor's normal responsibilities. Yet many DoD intelligence component managers perform technical, analytical, or operational duties, as well.

If DCIPS is to succeed, OUSD(I) and DoD intelligence component senior officials must ensure that all supervisors receive the requisite training to implement and administer the performance management system effectively. Additionally, they must stress the importance of communication throughout the rating cycle so that performance management duties are spread over its entirety. As the GAO testimony noted, an effective performance management system is not used for episodic occurrences once or twice annually, but as a tool to help an organization manage its workforce daily.[68] Supervisors are the linchpin in the system, and it is critical to provide them with the tools, training, and resources they need to execute their responsibilities.

Differentiating Performance

Effective performance management systems must distinguish at least three levels of performance: superior performers who exceed expectations, those who fully meet them, and those who do not. DCIPS' use of a five-level rating system provides for a high degree of rigor in making performance distinctions to drive enhanced organizational performance and reward employees based on their relative performance achievements. Under DCIPS, employees are rated on both individual performance objectives and six standardized, behaviorally-based performance elements required under the NICCP framework. The use of both sets of measures is intended to strike a more balanced approach to assessing performance. Appendix D provides a copy of the DCIPS performance rating form.

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[67] Ibid, p. 1.
[68] Ibid, p. 1.

Finding 3-5

DCIPS' design includes a rigorous performance management system that allows supervisors and managers to distinguish effectively among levels of performance, but the performance elements and standards should be reviewed to determine whether they fully support DCIPS' goals and objectives.

Performance Objectives

Each employee is rated on three to six performance objectives that are aligned with and cascade from the agency's mission, goals, and objectives. According to OUSD(I) guidance,[69] the objectives communicate major individual, team, and organizational responsibilities. Yet specific policy guidance[70] is limited to individual performance requirements and requires that objectives focus on larger or more significant aspects of the employee's work and specific results or outcomes. DCIPS policy requires that individual performance objectives be based on the work of the specific position and are appropriate for the employee's pay band and occupational category.

Consistent with the NICCP, OUSD(I) policy holds that each performance objective be described in a way that it is specific, measurable, achievable, relevant, and time-bound—that is, following the SMART criteria. Although these criteria have been a widely accepted methodology for developing performance objectives for decades, recent research indicates that they are not universally appropriate. For example, Leadership IQ[71] conducted a study in 2010 involving more than 4,000 employees from 397 organizations to determine goal-setting processes that help employees achieve great outcomes.[72] The study' findings include:

- Employees are rated on goals that are not particularly helpful. Only 15 percent of respondents strongly agreed that their goals will help them achieve great accomplishments, while 13 percent strongly agreed that they will help them maximize their full potential;
- For employees to achieve great outcomes, their goals must require them to learn new skills and/or knowledge; and
- To motivate employees to achieve great outcomes, goals must be vividly stated so that they practically "leap off the paper."

The Leadership IQ study recommended a new goal-setting process for organizations to inspire their employees to greater achievements and vividly experience a sense of accomplishment when

[69] *Writing Effective Performance Objectives*, June 2009. http://dcips.dtic.mil/
[70] Department of Defense Instruction Number 1400.25-V2011, *DoD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) performance Management*, January 15, 2010.
[71] Leadership IQ, headquartered in Washington, DC with regional offices in Atlanta and Westport, Connecticut, provides best practices research and executive education to the world's leading companies and their leaders.
[72] Leadership IQ, *Are Smart Goals Dumb*, Apr. 2010.

they achieve their goals. Given the importance of the DoD intelligence mission, the nature and complexity of intelligence work, and the large population of high performers in the intelligence components, a more tailored methodology for creating individual objectives is needed to motivate employees and meaningfully distinguish levels of performance.

Additionally, new supervisors need guidance to craft appropriate objectives tailored to the positions for which they are responsible. OUSD(I) already has developed a useful guide to writing performance objectives, and it is investing in an online database of "exemplar" objectives expected to improve the consistency and appropriateness of performance objectives. These steps should prove helpful, though additional training and guidance is needed for developing administrative and support employee objectives.[73]

Performance Elements

Under DCIPS, performance elements—also known as "behaviors"—measure attributes of job performance significant to accomplishing individual performance objectives. They ensure that managers and supervisors can measure not only what work is performed, but also how well it is performed. Consistent with NICCP policy, DCIPS uses four standardized elements for both supervisory and non-supervisory employees, with two additional elements tailored to either the supervisory or nonsupervisory position. Table 3-2 shows the standard performance elements.

Table 3-3. DCIPS Performance Elements

Element	Definition	
	Nonsupervisory Employee	**Supervisory/Managerial Employee**
1. Accountability for Results	Measures the extent to which the employee takes responsibility for the work, sets and/or meets priorities, and organizes and utilizes time and resources efficiently and effectively to achieve the desired results, consistent with the organization's goals and objectives.	In addition to the requirements for nonsupervisory employees, supervisors are expected to use the same skills to accept responsibility for and achieve results through the actions and contributions of their subordinates and the organization as a whole.
2. Communication	Measures the extent to which an employee is able to comprehend and convey information with and from others in writing, reading, listening, and verbal and nonverbal action. Employees also are expected to use a variety of media in communicating and making presentations appropriate to the audience.	In addition to the expectations for nonsupervisory employees, DCIPS supervisors are expected to use effective communication skills to build cohesive work teams, develop individual skills, and improve performance.
3. Critical Thinking	Measures an employee's ability to use logic, analysis, synthesis,	In addition to the requirements for nonsupervisory employees,

[73] OUSD(I) has acknowledged the need to review performance standards to determine whether employees in support occupations are rated lower than those in mission-oriented ones.

Element	Definition	
	Nonsupervisory Employee	**Supervisory/Managerial Employee**
	creativity, judgment, and systematic approaches to gather, evaluate, and use multiple sources of information to effectively inform decisions and outcomes.	supervisors are expected to establish a work environment where employees feel free to engage in open, candid exchanges of information and diverse points of view.
4. Engagement and Collaboration	Measures the extent to which the employee is able to recognize, value, build, and leverage organizationally-appropriate, diverse collaborative networks of coworkers, peers, customers, stakeholders, and teams within an organization and/or across the DoD components with DCIPS positions and the IC.	In addition to the requirements for nonsupervisory employees, supervisors are expected to create an environment that promotes engagement, collaboration, integration, and the sharing of information and knowledge.
5. Personal Leadership and Integrity/ Leadership and Integrity	Measures the extent to which the employee is able to demonstrate personal initiative and innovation, as well as integrity, honesty, openness, and respect for diversity in dealings with coworkers, peers, customers, stakeholders, teams, and collaborative networks across the IC. Employees are also expected to demonstrate core organizational and IC values, including selfless service, a commitment to excellence, and the courage and conviction to express their professional views.	Supervisors and managers are expected to exhibit the same individual personal leadership behaviors as all IC employees. In their supervisory or managerial role, they also are expected to achieve organizational goals and objectives by creating shared vision and mission within their organization; establishing a work environment that promotes equal opportunity, integrity, diversity (of both persons and points of view), critical thinking, collaboration, and information sharing; mobilizing employees, stakeholders, and networks in support of their objectives; and recognizing and rewarding individual and team excellence, enterprise focus, innovation, and collaboration.
6. Technical Expertise/ Managerial Proficiency	Measures the extent to which employees acquire and apply knowledge, subject matter expertise, tradecraft, and/or technical competency necessary to achieve results.	Supervisors and managers are expected to possess the technical proficiency in their mission area appropriate to their role as supervisor or manager. They also are expected to leverage that proficiency to plan for, acquire, organize, integrate, develop, and prioritize human, financial, material, information, and other resources to accomplish their organization's mission and objectives. In so doing, all

Element	Definition	
	Nonsupervisory Employee	Supervisory/Managerial Employee
		supervisors and managers are expected to focus on the development and productivity of their subordinates by setting clear performance expectations, providing ongoing coaching and feedback, evaluating the contributions of individual employees to organizational results, and linking performance ratings and rewards to the accomplishment of those results.

Despite apparent satisfaction with the goals of the DCIPS performance management process, managers and employees raised concerns that the standard performance elements are difficult to rate and introduce a high degree of subjectivity into the rating process, with an inappropriate impact on the rating's final outcome. For example, some employees complained that use of the "Personal Leadership and Integrity" element is inappropriate and difficult to judge. Further, it was not clear to some employees why the performance elements receive so much weight in the performance rating process (40 percent).

There has been a growing trend toward introducing behavioral measures into performance evaluations; the challenge is to strike the appropriate balance between them and objective measures. For performance-based compensation systems, it is critical that the balance tilt more toward clearly documented and measured aspects of performance to provide a defensible basis for determining performance payouts. OUSD(I) will find it difficult to gain full acceptance of the performance management system if it retains the performance elements as they are currently structured.

Performance Standards

Some employees believe that the general standards for summary rating levels are biased toward work that directly affects the agency's intelligence mission. Although this is not intended, the descriptions of Successful and higher performance imply that only work directly impacting the intelligence mission warrants higher ratings. For example, an Outstanding rating requires that an employee's overall contribution result in an "extraordinary effect or impact" on mission objectives.

The rating descriptions, shown in Table 3-3, have caused employees in the Professional and Administrative/Technician Work categories to question whether their work can ever be rated at the highest levels since it does not directly impact the mission, especially when these employees are in the same pay pools with those in mission-oriented work categories, such as intelligence analytical and operational work.

Immediate corrective action is needed to improve standards for summary rating levels. As currently written, it is not clear that these standards are equally applicable to all employees under DCIPS. Further, supervisors and managers will need more training and guidance on applying the standards to ensure that all employees are afforded the same opportunity to excel.

Rating Determination

As with the objectives, a score from 1 to 5 is assigned to assess employee performance on each element. To determine the overall rating, the rating official averages the scores for the objectives and the elements individually, and then averages the two. The final rating is rounded to the nearest tenth of a point and converted to an evaluation of record using the general standards described in Table 3-3.

Table 3-4. Conversion of Average Rating to Evaluation of Record

Average Rating Range	Evaluation of Record Rating/Descriptor	General Standard—Overall Summary Rating
4.6 – 5.0	Outstanding (5)	The employee's overall contribution, both in terms of results achieved and the manner in which those results were achieved, has had **extraordinary effects or impacts on mission objectives** that would not otherwise have been achieved.
3.6 – 4.5	Excellent (4)	The employee's overall contribution, both in terms of results achieved and the manner in which those results were achieved, has had a **significant impact on mission objectives.**
2.6 – 3.5	Successful (3)	The employee's overall contribution, both in terms of results achieved and the manner in which those results were achieved, has made a **positive impact on mission objectives.**
2.0 – 2.5	Minimally Successful (2)	The employee's overall contribution to mission, **although positive, has been less than expected.**
<2 on any objective	Unacceptable (1)	The employee received an **unacceptable rating** on one or more performance objectives.

Finding 3-6

As currently designed, DCIPS has the potential to result in inequitable treatment for employees who perform work that does not directly support the DoD intelligence mission.

The Panel finds that the DCIPS performance management system permits managers and supervisors to make performance distinctions, but would benefit from further review and improvement. In this regard, OUSD(I) has indicated that it intends to review the system in

cooperation with ODNI. The review will focus on the performance elements, with a view toward simplifying and reducing their number, ensuring their relevance and value, and verifying that standards measure as intended. These steps should help to strengthen the performance management system so that it is effective in achieving desired outcomes in a fair and equitable manner.

EQUITY

PRINCIPLE

The system identifies the balance among the three aspects of equity: internal, external/market, and performance/contribution.

In its 2004 report,[74] an Academy Panel noted that performance-based compensation systems are designed to conform to "equity theory"—that is, employees perform best if they know their compensation is commensurate with the work they perform and understand how others are compensated. Employees expect equitable treatment, and their perceptions of equity affect job satisfaction. The generally accepted elements of equity include internal, external/market, and contribution equity.

In the federal government, *internal equity* traditionally has been achieved through the classification process, which requires jobs with similar duties and responsibilities to be assigned the same grade, resulting in "equal pay for equal work." Under performance-based compensation systems, however, internal equity is redefined so that individual performance has greater impact on compensation, linking it more directly to accomplishments and organizational contribution.. *External/market equity* advocates paying employees at salary levels comparable to those available in other organizations, both inside and outside the federal government. *Contribution equity* holds that employees who contribute or perform at higher levels deserve higher salaries.

As discussed below, DCIPS' design includes features that balance the three aspects of equity in the performance management, pay pool, and market alignment features of the system.

Internal Equity/Organizational Contribution

Employees are more likely to accept compensation decisions if they perceive that the procedures used to make them are fair and affect everyone the same. Under DCIPS, internal equity is achieved by linking eligibility for salary increases and bonuses to employees' ratings of record, which reflect their accomplishments for the rating period and their achievement of specific objectives supporting the organization's mission, goals, and objectives. A Successful performance rating entitles the employee to receive at least the "floor"[75] of the annual

[74] 2004 Academy Panel Design Principles Study, p. 15.

[75] The minimum performance increase in base salary that an employee performing at the Successful level and eligible for a performance payout may receive. USD(I) establishes the amount annually. Under DCIPS, the amount initially equals the annual General Pay Increase that Congress authorizes annually for federal GS employees.

performance payout, while employees rated as Minimally Successful may be eligible for a portion of the floor. Employees rated Unacceptable are not eligible for this floor or any other performance-based increase or bonus. Table 3-4 shows the relationship between payout eligibility and employee rating levels.

Table 3-5. Evaluation of Record and Performance Payout Eligibility

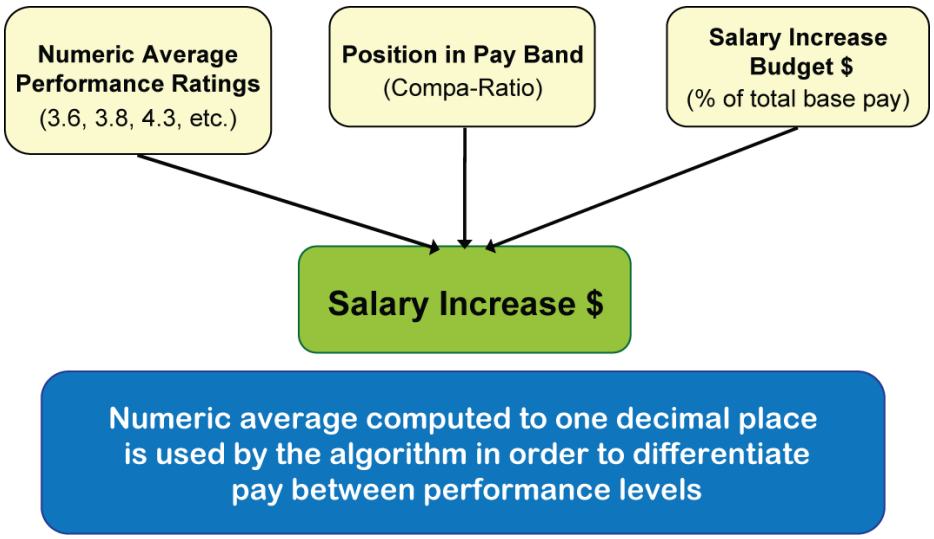
Overall Average Rating	Evaluation of Record	Performance Payout Eligibility
4.6 – 5.0	Outstanding (5)	Eligible for performance-based salary increase, performance bonus, and full Local Market Supplement (LMS).[76]
3.6 – 4.5	Excellent (4)	
2.6 – 3.5	Successful (3)	
2.0 – to 2.5	Minimally Successful (2)	Eligible for a portion of floor increase. Ineligible for performance-based salary increase; ineligible for bonus.
<2.0 or rating of 1.0 on any objective	Unacceptable	Ineligible for LMS, floor increase, performance-based salary increase, and bonus.

DCIPS also uses mathematical algorithms to determine salary increases and bonuses in support of internal equity. For each employee covered under DCIPS, an algorithm determines an initial recommendation for salary increases.[77] As illustrated in Figure 3-3, the algorithm uses the same inputs for each employee: performance rating, position in the pay band, and a predetermined percentage of base pay. It is designed to ensure that each employee's salary increase is computed using the "mid-point principle" so that the rate of the increase declines as the ratio of the employee's salary to the midpoint of the band increases. Thus, the rate of salary progression decreases as employees move through the pay bands and moves more of them toward the middle. This is similar to the longer periods that GS employees wait as they enter the higher steps of the 15 GS/GG grades.

Figure 3-3. Salary Algorithm Inputs

[76] The Local Market Supplement is an addition to the compensation of employees assigned to a geographic region or occupation within a geographic or range of geographic regions. It reflects the competitive requirements for the applicable labor market. On initial implementation of DCIPS, this amount generally will correspond to GS locality rates, and is considered part of basic compensation for retirement purposes.

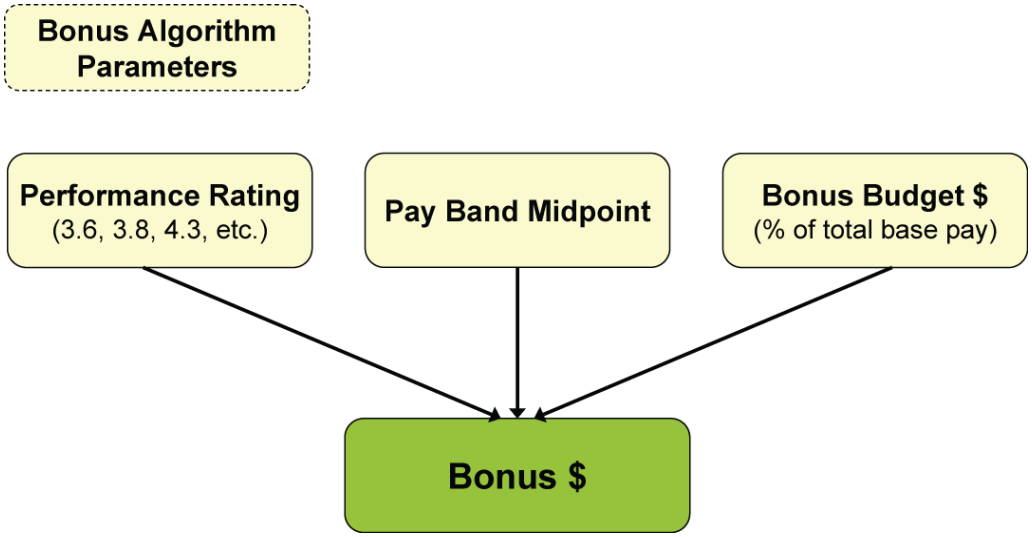
[77] Department of Defense Instruction 1400.25, V2012, DoD Civilian Personnel Management System: *Defense Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance-Based Compensation*, Sep. 15, 2009.



Source: OUSD(I) Human Capital Management Office.

A separate algorithm computes an initial recommendation for bonuses based on an employee's performance rating, pay band mid-point, and bonus budget. Like the salary recommendation, the bonus recommendation can be adjusted with appropriate justification and approval by pay pool management. The algorithm calculates bonus amounts so that employees in the same pay band with the same rating receive the same amount. The calculation is designed to recognize that employees in higher pay bands have more demanding responsibilities, take more risks, and have a potentially greater impact on the mission. Figure 3-4 shows the inputs to the bonus algorithm.

Figure 3-4. Bonus Algorithm Inputs



Source: OUSD(I) Human Capital Management Office.

Pay Pools

Although the salary and bonus increase algorithms are intended to achieve internal equity, the pay pools' structure and composition also have an impact on equity. DCIPS policy allows DoD intelligence components to use their own discretion in structuring pay pools based on such considerations as:

- organizational structure and geographic distribution
- number of employees and their occupational composition, work levels, and work categories
- size and manageability of the pay pool
- "line of sight" between the reviewing authority and pay pool officials and the work of the pay pool members

Providing this flexibility to the components has the potential to introduce variation in the size and composition of pay pools, which can influence an employee's performance-based salary increase or bonus. For example, a pay pool with many high-salaried employees will be funded at a higher dollar amount than one with a relatively lower salary mix, thus making more funds available to the former. Similarly, pay pools with a greater percentage of employees with high performance ratings can affect potential payouts because the higher ratings will dilute payouts from the available funds.[78] Wide variations in pay pool size is especially evident at larger DoD agencies such as DIA, where it was reported that the smallest pay pool had 37 employees and the largest had 2,205 employees.[31]

OUSD(I) officials acknowledge that the policy on structuring pay pools provides too much discretion to components and can result in inconsistent treatment of employees in the same pay band who perform at the same level. Absent more controls and guidance in the design, the perceptions of unfairness may be more prevalent. Additional policies and clarifying guidance are needed to ensure increased equity among pay pools in these decisions.

Allowing components to include different occupational groups in the same pay pool also raises issues impacting equity. As noted previously, employees in administrative and support occupations have less direct impact on the mission and may be viewed as less worthy of rewards for their performance than other employees in mission-critical occupations. This situation could result in disparate impact on employees due to the nature of their work, rather than the quality of their performance.

External/Market Equity

External/market equity is necessary to ensure that employee salaries are competitive with those outside the agency. Currently, DCIPS is designed to achieve external equity through use of the Local Market Supplement (LMS), which initially will tie to GS/GG locality pay areas and associated locality rates. However, DCIPS' goal is to develop a market pricing methodology that

[78] ODNI modeling generally showed that payout results were much more consistent for pay pools of 100 or more employees.
[31] DIA Briefing at DCIPS Interim Conference, Southbridge, Massachusetts, Feb. 2010.

replaces the current government-wide locality pay methodology. Achieving full market comparability is necessary if DoD intelligence components are to succeed in attracting and retaining top talent and becoming "the employer of choice."

The Panel is encouraged that OUSD(I) has begun to develop an approach for conducting surveys to assess salary comparability with appropriate markets. This will be helpful to gain further support for DCIPS. Additionally, OUSD(I) reported an ongoing review of compensation in the continental United States, Hawaii, Alaska, and Pacific Islands to assess pay comparability. These steps will help ensure that all three aspects of equity are fully integrated into the design.

Appendix I provides an overview of MITRE's performance-based compensation system, another approach for achieving internal equity. The Panel believes that this example includes some features that may be usefully modeled in DCIPS' design. For example, the ability to "refine" ratings within a rating level provides managers an opportunity to further distinguish levels of performance when it is appropriate to do so.

Finding 3-7

DCIPS successfully balances internal, external/market, and contribution equity, but internal equity could be enhanced by a more structured approach to pay pool composition to ensure that employees with similar duties, responsibilities, and performance ratings are treated equitably.

CHECKS AND BALANCES

PRINCIPLE

The system is designed to include a set of checks and balances to ensure fairness.

Well-designed performance-based compensation systems include a process to ensure consistent and fair treatment of affected employees, especially with respect to classification, performance management, and payout decisions. To ensure fairness, agencies must evaluate the relationship between performance-based compensation and sex, race and national origin (RNO), grade, occupation, and similar variables.[79]

DCIPS' performance evaluation and pay pool processes include a system of checks and balances designed to ensure fairness. These aspects of DCIPS' design should help mitigate employees' concerns about the potential impact of DCIPS on career and salary progression.

Review of Ratings and Payout Decisions

Two officials have key roles in ensuring fairness and equity in the performance management process: the reviewing official and the performance management performance review authority (PM PRA). The former reviews ratings prepared by subordinate rating officials for consistency and compliance with policies and guidelines. If the reviewing official does not agree with the narrative or numerical ratings, he or she is required to discuss and resolve the issue with the rating official. If this dialogue does not end successfully, the reviewing official has the authority to change the rating to ensure that standards and guidance are applied consistently. The PM PRA, an official senior to the reviewing official, reviews all evaluations of record to ensure consistency as well as legal and regulatory compliance. In the pay pool process, DoD intelligence component heads affected by DCIPS serve as the Pay Pool Performance Review Authority (PP PRA). They have final approval authority for pay pool recommendations and can return payouts results to the pay pool manager for remediation if they believe a situation demands it.

Although DCIPS policies provide a mechanism to review ratings for consistency and compliance with policies and guidelines, no official policy requires an examination of ratings across the DoD intelligence components to identify disparate treatment. Draft DCIPS evaluation policy includes a requirement to examine pay equity across pay pools and protected groups.[80] In addition, ODNI officials indicate that they will review DCIPS performance management and payout results for adverse impact on protected groups and share the results with the IC Office for Equal Opportunity and Diversity for validation. OUSD(I) has begun the process to analyze payout

[79] Michael M. Harris, Brad Gilbreath, and James A. Sunday, "A Longitudinal Examination of a Merit Pay System Relationships Among Performance Ratings, Merit Increases, and Total Pay Increases," Journal of Applied Psychology, (83), 1998, pp.825-831.

[80] The term "protected groups" is used here as defined in equal opportunity laws, including The Equal Pay Act of 1963, as amended; Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972 and the Pregnancy Disability Act of 1978; The Rehabilitation Act of 1973, as amended; The Age Discrimination in Employment Act of 1967, as amended; and The Civil Rights Act of 1991.

results, but the final DCIPS evaluation policy should include a formal mechanism to examine the impact on employees of protected groups to conform to MSPB guidance.[81] For example, a formal review panel could be formed to review demographic data on gender and RNO and identify disparate treatment among certain groups. These panels may question ratings—not overrule them—and rating patterns showing a higher average for one group than for others.

Given widespread perception that performance-based compensation systems result in disparate treatment of women and minorities, the evaluation plan must require careful and ongoing analysis of how DCIPS affects the careers of protected groups. To ensure equitable treatment for all employees, managers and supervisors also must be held accountable for their role in supporting diversity objectives in the context of DCIPS policies and procedures. The standard Leadership and Integrity element alludes to requiring a workforce that values diversity, but it is not adequate to achieve the goal of fairness within the current policies and procedures.

Challenging the Evaluation of Record

MSPB points out that the credibility of a performance-based compensation system may be enhanced by establishing an appeals process, providing employees a way to challenge ratings or pay decisions that they believe are unfair.[82] Employees under DCIPS may seek reconsideration of their ratings by the PM PRA. If dissatisfied with that outcome, they may request further reconsideration by the DoD component head. No mechanism exists in DCIPS for them to challenge individual payout decisions, but they may raise specific concerns regarding the pay pool process under their agency grievance procedures.

In light of employees' concerns about equity and fairness in the pay pool processes, it is advisable to provide employees with additional avenues to challenge their ratings and pay decisions.

Challenges to Pay Band Decisions

There is no formal process to challenging a pay band decision under DCIPS. To ensure that DCIPS employees have the same rights as others, a process should be established to permit employees to challenge the decision to assign their position to a specific pay band.

Finding 3-8

DCIPS includes a set of checks and balances in the performance management and payout processes to ensure fair treatment of all employees, but it lacks a mechanism to challenge pay band decisions and a strong mechanism to hold managers and supervisors accountable for their roles in ensuring fairness and equity.

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[81] 2006 MSPB Design Report, p. 34.
[82] 2006 MSPB Design Report, p. 34.

DCIPS FUNDING

PRINCIPLE

Adequate funding is necessary to ensure success of a performance-based pay system.

When performance-based compensation systems operate properly, superior performers receive the greater rewards, while average performers receive substantially smaller ones. Adequate funding is critical as insufficient funding is a primary reason why these systems fail. To provide meaningful rewards, MSPB guidance advises that agencies use greater budget creativity and additional sources of revenue to ensure adequate funding for performance-based pay increases.[83]

OUSD(I) policy for funding pay pools conforms to IC-wide policy guidance for pay modernization, which requires that newly-implemented performance-based compensation systems remain budget neutral. Under current policy, separate budget recommendations are established annually to fund salary and bonus pools [84] In accordance with USD(I) funding guidance, DoD intelligence components allocate money to salary increase pools by choosing and multiplying a funding percentage by the sum of the base salaries of those employees eligible for payouts. The policy requires that salary increase budgets be no less than the total funds that would have been available for step increases, quality step increases, and within-band promotions had there been no conversion to DCIPS. Similarly, the bonus budgets cannot be less than the cash awards available had DoD not converted. Pools can only be increased under special circumstances; one common reason is outstanding organizational performance or contribution to the component's mission. Pay pools also may reserve a portion of their budget for unanticipated requirements, exceptional performance, market anomalies, or other circumstances.

Although DCIPS funding conforms to IC pay modernization policy, current pay pool funding will not prove adequate over the long term to sustain meaningful payouts for all deserving employees. Consequently, the system likely will limit rewards for satisfactory (Successful level rating) employees to ensure more substantial payouts for top performers. Experts who attended the Academy's colloquia characterize this as an unintended "win-lose" situation for most employees. MSPB's guidance affirms that funding performance-based compensation systems based on money from existing sources typically results in some employees obtaining more than they otherwise would have and others less. MSPB notes that this discrepancy seems most problematic for the "good, solid employees" who may no longer receive regular, albeit modest, increases to recognize their contributions.[85] The alternative is to reduce awards for high performers to spread available funds more broadly; this is not desirable either as the premise of performance-based compensation is that top performers should receive greater salary increases and bonuses.

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[83] 2006 MSPB Design Report, pp. 20-21.

[84] Department of Defense Instruction Number 1400.25-V2012, *DoD Civilian Personnel Management System: Defense Civilian Intelligence Personnel System (DCIPS) Performance-Based Compensation*, dated January 15, 2010.

[85] 2006 MSPB Design Report, pp. 20-21.

The Panel believes that adequate funding for pay pools should be analyzed further. Other methods are available to instill confidence in DoD intelligence components and employees that funds will be available to reward solid performance. For example, OUSD(I) could consider tapping other sources to create a separate performance management fund from which to provide meaningful increases. Also, MSPB guidance suggests that it is possible for agencies to pursue other funding options, such as a working capital fund or a supplemental appropriation to support payouts for deserving employees.[86]

Finding 3-9

OUSD(I)'s approach to funding salary increase and bonus pools in a budget-neutral manner will result in redistributing available funds, but may not provide adequate funding to reward performance achievements of all deserving employees.

MARKET COMPENSATION FLEXIBILITY

PRINCIPLE

The performance-based compensation system must be sufficiently flexible and responsive to changing labor market conditions to meet the agency's HR needs for years to come.

It is difficult to anticipate the changes that can occur in an agency over time. Nonetheless, a new performance-based compensation system should include a plan to adjust the system to reflect changes in the organization and the way that the workforce is managed within it. Under DCIPS, the LMS will provide flexibility to respond to changing local market conditions. However, OUSD(I)'s approach does not appear to link to its Strategic Human Capital Plan and does not provide for adjustments that account for changes in the broader labor market. A prior Academy Panel emphasized the need for a process that enables market alignment for specific occupational groups, as necessary.[87]

Finding 3-10

DCIPS does not currently include an approach for responding to the changes in the broader labor market when such changes impact compensation equity for DCIPS employees.

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[86] Ibid, p. 21.
[87] 2004 Academy Panel Design Principles Study, p. 34.

ONGOING SYSTEM EVALUATION

PRINCIPLE

A performance-based compensation system should be evaluated regularly and modified when necessary.

Ongoing evaluation of a performance-based compensation system is necessary to determine whether it is accomplishing its intended goals fairly and cost effectively. According to MSPB, the evaluation should include adequate data analyses to determine the system's impact;[88] review the effects of the system at given points in time; and address such issues as fairness, cost, and distribution of funds. It also should compare data on performance ratings, salary levels, and pay increases for various demographic groups. The frequency of bonuses and salary increases should also be monitored, as well, to ensure that payouts align with the system's underlying philosophy. Finally, the process should include objective measures to assess the system's overall impact on organizational outcomes.

DCIPS' overarching policy includes a provision for ongoing evaluation of the system against its broad policy goals.[89] Although the final policy has not been released, the plan is to conduct ongoing review and modification of both DCIPS design and implementation based on:

- Employee perceptions gathered through surveys and on-site visits;
- Analysis of data on performance ratings and pay pool results to assess equity and fairness across the DoD Intelligence Enterprise, including a full demographic analysis; and
- Review of policies to ensure currency and mitigate unintended consequences.

To ensure credibility of the evaluation plan, it is important to establish early the metrics to be used to assess the achievement of DCIPS' goals and the system's impact on the DoD intelligence components' missions. Additionally, it is necessary to widely communicate the evaluation results and changes made in response to employees' concerns.

Finding 3-11

DCIPS' design includes a process for ongoing evaluation and modification of the system, but an official evaluation policy is not yet in place and, thus, there is no formal requirement for analysis of performance management and pay pool results to determine impact on women, minorities, and other protected groups.

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[88] 2006 MSPB Design Report, p. 33.

[89] DoD Civilian Personnel Management System: Volume 2001, *Defense Civilian Personnel System (DCIPS) Introduction,* Dec. 29, 2008.

HOW DCIPS COMPARES TO THE GS/GG SYSTEM

The GS/GG system is the federal government's primary classification and pay system for white-collar employees. Employee pay is largely determined in accordance with government-wide rules consistent with the GS classification system that places positions in one of 15 grades based on duties, responsibilities, and qualifications requirements. For more than 20 years, federal agencies have grown increasingly frustrated by the "one-size-fits-all" rules and regulations of the GS/GG system; they have either sought relief through legislation or subtly adopted practices that are inconsistent with the laws and regulations. In recent years, more agencies have opted out of the system through individual legislation allowing them to create their own systems, almost all of which have included some form of broad-banding and performance-based compensation.

Notwithstanding differences between DCIPS and the GS/GG system, a major strength of DCIPS' design is that it continues the employee protections afforded to all federal civil servants under the GS/GG system, as required by the Merit Systems Principles[90] and Prohibited Personnel Practices.[91] One Merit Systems Principle requires that all employees and applicants for employment receive fair and equitable treatment in all aspects of HR management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicap condition, and with proper regard for their privacy and constitutional rights.(See Appendix C for a complete list of the principles and prohibited personnel practices.)

DCIPS also includes the expectation that all HR decisions will be made in a manner that is efficient, effective, fair, and free from political interference. Additionally, DCIPS does not alter policies governing retirement benefits and eligibility, health and life insurance, leave, attendance, and other similar benefits. Beyond these core protections, DCIPS differs from the GS/GG system in several significant ways. It creates broad pay bands in lieu of the 15 grades, introduces performance-based compensation in place of longevity-based salary increases, and requires a stronger, more rigorous performance management system. Table 3-5 summarizes how DCIPS' major features compare with the GS/GG system.

Table 3-6. Comparison of DCIPS to the General Schedule

DCIPS	GS/GG System
Merit Systems Principles apply	Merit Systems Principles apply
Five pay bands	15 GS/GG grades
Performance-based increases and bonuses	Automatic step increases, with acceptable performance
Mid-point principle used in pay algorithms for salary increases and bonuses	Longevity-based step increases that require longer waiting periods as an employee's time in a certain grade increases
Local Market Supplement	Locality pay
Multi-level performance management system	Multi-level performance management system
Basic pay cap = 5 percent over Executive Level IV	Basic pay cap = Executive Level IV

[90] 5 U.S. C. 2301.
[91] 5 USC 2302 (b).

HOW DCIPS COMPARES TO NSPS

As discussed in Chapter 2, NSPS was developed to replace the GS/GG system for DoD's non-intelligence workforce. Like DCIPS, it reflected Executive Branch concerns that the GS system was no longer adequate to recruit, hire, and compensate the workforce needed to support DoD's national security mission. NSPS encountered legal challenges from employees and unions alleging that its provisions were applied inconsistently, resulting in disparate pay outcomes for affected employees. The FY 2010 NDAA repealed NSPS' statutory authority and directed the Secretary of Defense to terminate it and transition all covered employees out from it no later than January 1, 2012.[92]

DCIPS and NSPS share several design characteristics.[93] Both were designed to foster a strong performance culture by creating an HR system that more directly links employee pay to performance and contribution to the DoD mission.[94] Both employed pay bands that replace the 15 GS or GG grades, with salary progression within the bands based on annual performance assessments. They also increased communication between employees and their supervisors. Finally, they both use pay pools funded from available resources to provide for performance-based compensation.

NSPS policies required the integration, rather than separation, of performance management and pay pool processes, a key area where it and DCIPS diverge. Other key differences are the areas that have the greatest impact on employees' compensation and their perceptions of system fairness. Given that DCIPS' performance evaluation and pay pool processes are separate, for example, there is no commingling of salary and bonus pool funds. Unlike NSPS, DCIPS policy requires that employee ratings be prepared and approved prior to the pay pool process. Further, DCIPS does not permit pay pool officials to change ratings in the process of deciding salary or bonus payouts. In contrast, NSPS pay pool panels had authority to change performance management ratings during their deliberations to determine performance-based payouts and require the supervisor to accept them, even if the supervisor disagreed.[95] The Defense Business Board Report noted this as a major area fueling employee mistrust of the system and its processes.

OUSD(I) officials indicated that they were attentive to DoD's challenges with NSPS and applied those lessons learned to DCIPS' design features. Although some online dialogue and open forum participants expressed concern about the fairness of ratings and pay pool processes, these do not appear to be a function of the DCIPS' design, but a result of how supervisors and managers are implementing the system's provisions. Table 3-6 provides a more detailed comparison between DCIPS and NSPS. Key differences are highlighted in yellow.

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[92] Pub. L. 111-84, Sec. 1113.

[93] NSPS changed the classification, compensation, recruitment, and staffing of DoD positions, but this comparison is limited to aspects of NSPS that can be compared to DCIPS' existing features, as officially documented in approved policies.

[94] DoD 1400.25-M, SC 1940, Subchapter 1940, Performance Management, dated Dec. 1, 2008.

[95] As reported in the Defense Business Board Report to the Secretary of Defense, "Review of the National Security Personnel System," July 2009, which references the NSPS 2008 Evaluation Report, pp. 5-10.

Table 3-7. Comparison of DCIPS and NSPS Design

Design Feature	DCIPS	NSPS
Merit Systems Principles	Merit Systems Principles and other employee protections are retained and supported by governing policies.	Merit Systems Principles and other employee protections were retained and supported by governing policies.[96]
Mission Alignment	Alignment with intelligence and organizational mission documented in policy.	Alignment with national security mission documented in policy.
Occupational Structure	Three work categories and several occupational groups.	Four career groups; job titles aligned with these groups.[97]
Pay Structure	One common pay band structure that uses five pay bands arrayed across three different work categories.	Multiple pay bands within four career groups and several pay schedules.[98]
Performance Management		
Rating Cycle	Fiscal Year cycle.	Same.
Performance Objectives	Each employee generally rated on three to six performance objectives linked to the agency mission; one is the minimum objective required.	Each employee rated on three to five *weighted* job objectives.[99]
Performance Elements	Six *performance elements* used and considered separately from the objectives: 1. Accountability for Results 2. Communication 3. Critical Thinking 4. Engagement and Collaboration 5. Personal Leadership and Integrity/Leadership 6. Technical Expertise/Managerial Proficiency Elements evaluated separately from job objectives.	Seven *contributing factors*[100] used to assess the manner of performance important for the accomplishment of each objective: 1. Communication 2. Cooperation and Teamwork 3. Critical Thinking 4. Customer Focus 5. Leadership 6. Resource Management 7. Technical Proficiency

[96] DoD 1400.25-M, SC1940, Subchapter 1940: Performance Management, p. 2.
[97] NSPS career groups included Standard Career Group, Medical Career Group, Scientific and Engineering Career Group, and Investigative and Protective Services Career Group.
[98] The four pay schedules are Professional/Analytical, Technician/Support, Supervisor/Manager, and Student.
[99] DoD 1400.25-M, SC1940, Subchapter 1940: Performance Management, p. 7-8.

Design Feature	DCIPS	NSPS
		Contributing factors used to adjust the ratings of job objectives.
Rating Decisions	Rating decisions determined by the rating official and approved by reviewing official prior to the pay pool process.	Ratings determined by the Pay Pool Panel and approved by the Pay Pool Manager during pay pool deliberations.[101]
Rating Levels	5—Outstanding 4—Excellent 3—Successful 2—Minimally Successful 1—Unacceptable	5—Role Model[102] 4—Exceeds Expectations 3—Valued Performer 2—Fair 1—Unacceptable
Reconsideration of Ratings	Employees can request reconsideration of the rating by submitting a written request to the PM PRA within 10 days.	Within ten days of receiving a rating, an employee could request reconsideration of the rating by submitting a written request for reconsideration to the Pay Pool Manager.[103] A bargaining unit employee could challenge a rating of record through a negotiated grievance procedure.[104]
Recognition for Organizational and/or Team Achievement	Although DCIPS does not preclude recognition for team/organizational performance, there is currently no formal process in place to recognize and reward team or organizational achievement.	Pay Pool Manager had authority to approve specific recognition for Organizational and/or Team Achievement (OAR).[105]
Pay Pool Process		
Structure of Pools	Separate pools for salary increases and bonuses.	Combined salary increase and bonus pools.
Funding of Pools	Salary increase budgets will not be less than that which would have been available for step increases	Funding of pools through three different sources of existing funds:[106] (1) funds spent on step increases,

[100] Ibid, p. 8.
[101] Ibid, p. 3.
[102] Ibid, p. 16.
[103] Ibid, p. 21.
[104] Ibid, p. 23.
[105] Ibid, p. 8.

Design Feature	DCIPS	NSPS
	quality step increases and within-band promotions had DoD not converted to DCIPS. Bonus budgets generally will not be less than the funds that would have been available for cash awards and/or component bonuses had DoD not converted to DCIPS.	quality step increases, and promotions between GS grades that no longer exist under NSPS, (2) funds that remain available from the government-wide general pay increase (GPI) after the Secretary makes decisions to fund Rate Range Adjustments and/or Local Market Supplements, and (3) funds historically spent for performance based cash awards. Additional funds could be added to the pools at the discretion of the component organization.
Eligibility for Payout	Employees rated at Level 3 and above guaranteed the DCIPS "floor," i.e., full GPI. Employees rated at Level 2 are initially guaranteed 60 percent of the DCIPS "floor."	Employees rated Level 2 and above guaranteed 60 percent of the GPI.[107]
Checks and Balances to Ensure Fairness		
Review of Performance Management and Payout Decisions	Separate oversight and review of performance management and payout decisions. For performance management, the reviewing official and Performance Management Performance Review Authority have oversight roles. For payout decisions, the Pay Pool Performance Review Authority reviews and approves final pay pool decisions.	No separation of oversight and review authority for performance management and pay pool processes.[108] The Performance Review Authority, Pool Managers, and Pay Pool Panels provide review and oversight of both the performance management and pay pool processes.[109]
Process for Reviewing Ratings and Payouts to Assess Impact on Protected Groups	Included as integral component of draft DCIPS Evaluation Policy.	Post-decisional analysis of rating results to identify barriers to equitable treatment and corrective actions.
Ongoing System Evaluation		
	A formal evaluation policy is under development, but not yet published.	A formal Evaluation Plan was published on June 30, 2007.

[106] DoD 1400.25-M, sC1930, Subchapter 1930: Compensation Architecture Pay Policy, SC1930.9.2, p. 6.
[107] NSPS Frequently Asked Questions at www.cpms.osd.mil/nsps.
[108] DoD 1400.25-M, SC 940, Subchapter 1940: Performance Management, p. 3.
[109] Ibid, pp. 3-4.

The Panel believes that OUSD(I) has heeded the challenges and lessons learned from the NSPS experience. Consequently, DCIPS' performance and pay pool management policies are more transparent and provide for more equitable treatment of all employees.

CONCLUSION

As previously noted, the Panel has concluded that DCIPS' design is fundamentally sound and adheres to accepted design principles for performance-based compensation systems. DCIPS fully retains the protections afforded employees in the federal civil service and includes checks and balances to ensure fairness and equity in performance management and pay pool decisions. It also incorporates design features derived from lessons learned from best practices and challenges faced by the recently-terminated NSPS.

DCIPS' design includes several other strengths: the simplicity and clarity of its occupational structure, a single pay banding system, its rigorous performance management system, separate performance management and pay pool processes, and its planned process for ongoing system evaluation. Although the Panel has identified a number of areas in this chapter where improvements can be made, the Panel does not consider these to be fatal design flaws, but, rather, opportunities to further tailor, strengthen, and refine a system that is already fundamentally sound.

The Panel offers several recommendations below to further strengthen DCIPS' design.

RECOMMENDATIONS

Recommendation 1. OUSD(I) should move swiftly to finalize DCIPS' governing policies, disseminate them to the workforce, and widely communicate their content to improve transparency and ease of understanding.

Recommendation 2. OUSD(I) should review and assess models for measuring and rewarding team and organizational performance under DCIPS to ensure alignment with the IC's broad goals.

Recommendation 3. To achieve further internal equity, OUSD(I) should:

- **Develop a method for providing salary enhancements to staff performing supervisory or managerial functions to ensure that they are recognized and rewarded for their performance in these critical roles.**

- **Review its policies regarding pay pool composition to ensure equitable treatment of similarly situated employees. This review should examine the policy for determining the size of pay pools and practice of assigning employees of different work categories to the same pay pool.**

Recommendation 4. To ensure equitable treatment of all employees, OUSD(I) should review the performance management system to:

- **Clarify and strengthen its guidance for developing performance objectives to ensure that managers and supervisors fully understand ways to develop appropriate objectives for all employees, including those in non-mission work categories.**

- **Refine and modify the impact of the performance elements to ensure that they permit meaningful and appropriate assessments of factors affecting overall performance.**

- **Adjust the performance standards for summary rating levels so that they permit the same performance assessments for all categories of work.**

Recommendation 5. OUSD(I) should review the description of the performance element titled "Engagement and Collaboration" to ensure that the national security objective of developing a collaborative community is adequately reflected.

Recommendation 6. OUSD(I) should finalize its evaluation policy and ensure that it defines a process for monitoring DCIPS' impact on salary increases, bonuses, and career progression of women, minorities, and other protected groups.

Recommendation 7. OUSD(I) should implement a process for reviewing external market conditions and achieving compensation comparability for those in DCIPS positions.

Recommendation 8. In accordance with the design principle regarding funding, OUSD(I) should explore alternative funding sources and methodologies to ensure that pay pools are adequately funded and provide meaningful payouts to all deserving employees.

Recommendation 9. To strengthen its system of internal checks and balances, OUSD(I) should develop a process to allow employees to obtain a formal review of pay band decisions when they believe their positions have been assigned to the wrong pay band and to appeal a performance evaluation.

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CHAPTER 4

ASSESSING DCIPS' IMPLEMENTATION

INTRODUCTION

Implementing a single personnel system across multiple organizations represents a fundamental change to the management of the DoD civilian intelligence workforce. Each component within the enterprise has its own mission, reporting chain, and idiosyncrasies in culture, processes, and outputs. Any system-wide change that has unifying or adding consistency as its purpose poses major challenges and requires careful planning and execution.

Unlike most performance management initiatives, the implementation of DCIPS has not been driven by a specific "performance problem." Rather, the goal is more structural and process related. An underlying assumption is that disparate personnel systems pose a potential risk to the accomplishment of the overall DoD intelligence mission. However, advocates do not go so far as to draw a link between DCIPS and the production of better intelligence. DCIPS' goal is to achieve greater unity and uniformity in personnel management. As of yet there is no plan for measuring and assessing DCIPS' ultimate success. This poses one challenge to implementation: The end point lacks clear definition.

DCIPS' implementation is challenging on different levels. It poses a fundamental shift in values, moving from a tenure-centric to performance-centric focus in workforce management. It also imposes multiple requirements on day-to-day activities and the personnel required to support the system. The degree of intensity of the new performance management process requires a new philosophy within the DoD intelligence components; modification to the pay and promotion system adds an emotional dimension to the effort. The implementation process involves a culture shift with impacts beyond the mere mechanics of adopting new administrative processes. The process must deal effectively with many obstacles to change and the charged atmosphere that typically surrounds compensation issues.

The number of DoD intelligence components engaged in this sweeping change presents an additional challenge. Introducing DCIPS in one organization is difficult. Conforming to the DCIPS conversion schedule—which entails managing shifts in values and behaviors simultaneously within multiple organizations with very different cultures and characteristics—is daunting. For example, the civilian intelligence workforce within the military services—unlike DIA, DSS, NGA, NRO, and NSA—faces unique tests:

- The affected workforce is smaller—slightly fewer than 2,800 in the Navy and approximately 200 in the Marine Corps.
- There is predictably high turnover of the uniformed supervisors, requiring retraining of new supervisors every two to three years.
- Supervisors of DCIPS employees often must be conversant with and able to apply multiple personnel systems to the members of their varied workforces.

- The workforce is very geographically dispersed.

Successfully implementing DCIPS requires a well-formulated and -executed strategy based on sound change management principles and taking into account significant differences in culture.

The NDAA pause is yet another challenge to implementation. DCIPS Interim, put into place following the suspension of DCIPS pay authorities, has been a source of confusion, frustration, and discouragement for many in the workforce, including HR implementers. For example, many negative sentiments expressed by DoD intelligence component personnel appear to be strongly influenced by the effects of the NDAA pause, and have little to do with DCIPS overall. Thus, implementation has been attempted in an environment beset by internal and external challenges.

This chapter focuses on how DCIPS has been implemented and addresses the provision of the NDAA requiring an assessment of the adequacy of the training, policy guidelines, and other preparations afforded in connection with transitioning to that system. The OPM Alternative Personnel Systems Objectives-Based Assessment Framework was used as the basis to assess DCIPS' implementation.[110] Using this framework, and the elements considered essential to effective implementation of alternative pay systems, the Panel provides a series of findings, conclusions, and recommendations.

EVALUATION FRAMEWORK

OPM's Alternative Personnel Systems Objectives-Based Assessment Framework has been used to guide the Panel's assessment of DCIPS implementation.[111] The dimensions and elements that comprise the framework (see Table 4-1) are based on lessons learned from federal government demonstration projects involving alternative personnel systems, as well as best practices drawn from large human capital transformation programs.

The standards used to assess DCIPS' design in Chapter 3 focused on the presence or absence of necessary policies and provisions. By contrast, the framework is based on indicators of how well the DoD intelligence components prepared for implementation and are meeting the objectives.

[110] OPM, Alternative Personnel Systems Objective-Based Assessment Framework, Oct. 2008. Hereafter "the framework."
[111] Ibid.

Table 4-1. Overview of the OPM Objectives-Based Assessment Framework

Framework Component	Dimensions	Elements
Preparedness	Leadership Commitment	• Engagement • Accountability • Resources • Governance
	Open Communication	• Information Access • Outreach • Feedback
	Training	• Planning • Delivery
	Stakeholder Involvement	• Inclusion
	Implementation Planning	• Work stream Planning and Coordination • HR Business Processes and Procedures • Tools and Technology Infrastructure • Structured Approach
Progress	Mission Alignment	• Line of Sight • Accountability
	Results-Oriented Performance Culture	• Differentiating Performance • Pay for Performance • Cost Management
	Workforce Quality	• Recruitment • Flexibility • Retention • Satisfaction and Commitment
	Equitable Treatment	• Fairness • Transparency • Trust
	Implementation Plan Execution	• Work Stream Planning and Status • Performance Management System Execution • Employee Support for APS (i.e., DCIPS)

It is not possible to evaluate DCIPS against every dimension or element in the framework at this time given DCIPS' relative immaturity, the varying stages of implementation across the intelligence components, and the effects of the NDAA pause.

PREPAREDNESS

Preparedness is the extent to which OUSD(I) laid the groundwork for DCIPS' success by preparing employees for the change and establishing the supporting infrastructure. "Agencies that do not place sufficient emphasis on Preparedness are likely to encounter significant implementation problems, thereby reducing the ultimate effectiveness" of the system.[112] The dimensions of Preparedness are:

- leadership commitment
- open communication
- training
- stakeholder involvement
- implementation planning

LEADERSHIP COMMITMENT

▪ Engagement ▪ Accountability ▪ Resources ▪ Governance

Leadership commitment, a key dimension of all successful change efforts, involves engagement, accountability, resources, and governance. A dimension of the Preparedness component in the framework, it is considered a best practice by those who study alternative personnel systems in the federal government.[113] Agency leaders must be visibly and actively engaged in planning the change, championing the system, and communicating to employees that the change is a mission imperative, not simply an HR program. Following implementation, they have an ongoing responsibility to reinforce their commitment and ensure the system's continued success.

Commitment provides an emotional aspect that can be elusive to measure. The framework focuses on specific behaviors that demonstrate leadership commitment, but does not address the underlying strength of leadership conviction that supports those behaviors. According to the framework, leadership commitment is measured by the extent to which leaders communicate with the workforce about the system, prioritize system implementation, provide appropriate resources, and are held accountable for system execution.

Sometimes, it is difficult for leaders to be visibly involved in the implementation of a new personnel system that is considered to fall into the "support" category; its link to mission is indirect. However, such a system has far-reaching effects and it is important to communicate to the workforce why it is necessary and how it will enhance the agency's ability to achieve its mission. In addition, leadership involvement is critical to achieving the cultural change needed for such a new system to be successful, and for holding managers accountable for adopting and applying it.

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[112] Ibid, p. 23.

[113] See, for example, Pay for Performance (PFP) Implementation Best Practices and Lessons Learned Research Study, Booz Allen Hamilton, prepared for the ODNI Director of Intelligence Staff, June 18, 2008; Risher, Howard, Pay for Performance: A Guide for Federal Managers, IBM Center for the Business of Government, Nov. 2004; and Risher, Howard and Smallwood, Andrew, "Performance-Based Pay at NGA," The Public Manager, Summer 2009.

In the DCIPS context, "leaders" refer to the USD(I) and DoD intelligence component heads. DCIPS could not have progressed as far as it has without the strong level of commitment from the USD(I), but component heads have been less supportive. Preliminary results of a recent OUSD(I) DCIPS survey of intelligence component employees show that leadership commitment across the components has been uneven; agreement that senior organizational leaders are committed to DCIPS ranges from 24 percent at the NRO to 76 percent at OUSD(I).[114]

Engagement

Engagement is the extent to which leaders conduct outreach to the workforce to champion the system, provide information, and gain employee acceptance. The outreach should be strategic, rather than tactical, in focus. The purpose is to demonstrate leadership support, emphasize accountability for making it happen, and foster employee acceptance of DCIPS.

Among the examples of the USD(I)'s engagement in DCIPS implementation:

- The USD(I) held a formal DCIPS kick-off event in December 2007. Attendees included DoD intelligence component directors and Defense Intelligence Human Resources Board (DIHRB) members;[6]
- The USD(I) offered periodic messages to the workforce, and OUSD(I) provided messages for the components to adapt and use; and
- The USD(I) is prominently featured on the DCIPS website and issues periodic updates to component directors.

Notwithstanding these steps, OUSD(I) has not monitored the frequency, content, delivery mechanisms, or quality of messaging at the component level. In addition, there has been a lack of constancy and consistency in those messages. Further, only four USD(I) messages to the workforce have been posted on the DCIPS website since 2007; these messages focused on specific advantages of DCIPS, such as human capital flexibilities, consistency in occupational structure, and the link of individual performance to agency mission. Noticeably absent from the communications is a strategic focus—conveying a sense of urgency, offering a convincing argument for how DCIPS contributes to mission accomplishment, or describing what will constitute success.

Academy focus group participants reported that some agency leaders voiced support for DCIPS frequently and through multiple channels within their organizations. Yet they acknowledged that the link between DCIPS and agency mission has not been well communicated to the workforce. Others said their leadership was less supportive and communicated this clearly through their lack of engagement.

Overall, USD(I) engagement during DCIPS implementation has been insufficiently frequent and not fully effective in gaining widespread support. Communication from all senior leadership

[114] 2010 DCIPS Survey Preliminary Results, Question 33.
[6] The DIHRB is discussed in more detail in the Governance section of this chapter.

levels has focused too much on tactical or management issues and has lacked key strategic points. As a result, acceptance and commitment at multiple levels, including among members of the senior leadership, have been lacking.

Finding 4-1

DoD intelligence component leadership engagement has been inconsistent and messages that link DCIPS to mission have been lacking.

Accountability

Accountability refers to the extent to which agency leaders identify system implementation as an agency priority, are involved in the system's design and implementation, and are held accountable for implementation. Accountability is a key success factor in change management; sufficient measures and mechanisms of accountability must be communicated and employed in any effort to institute meaningful change.

The Defense Intelligence Enterprise Human Capital Strategic Plan, 2010-2015 lists DCIPS implementation as a DoD priority that will support the goal of "an integrated, interoperable, diverse, and mission-aligned defense intelligence enterprise workforce."[115] DCIPS is described as a priority in DoD documents, but accountability for effective implementation has not been enforced among senior intelligence component officials. No metrics or performance objectives for senior managers align with DCIPS implementation, and there is no evidence that OUSD(I) is holding senior agency leaders accountable. OUSD(I) has verified the lack of formal mechanisms and accountability metrics for tracking implementation activities within and across components. This poses a challenge to ensuring consistent implementation.

Finding 4-2

Formal mechanisms, such as metrics or performance objectives, are lacking to hold agency leaders and senior managers accountable for DCIPS implementation. This has contributed to inconsistent implementation across the components.

Resources

Successful implementation requires that agency leaders create the appropriate organizational structure, with adequate resources and authorities to implement the program. The authority, staffing, and funding of the program management function within OUSD(I) provides one indication of the progress to date.

OUSD(I) did not establish a program management office (PMO) with dedicated personnel, authority, and responsibility for DCIPS design and implementation. The intent was that each

[115] *Defense Intelligence Enterprise Human Capital Strategic Plan, 2010-1015*, Office of the Under Secretary of Defense for Intelligence, Human Capital Management Office, p. 3.

intelligence component would do so. Although the combat support agencies (DIA, DSS, NGA, NSA, NRO) established DCIPS PMOs, the military services did not.

The OUSD(I) budget includes a DCIPS line item; approximately three positions, with contract support, have responsibility for DCIPS design and implementation at the OUSD(I) level. Without a centralized PMO to direct the effort, however, oversight of component implementation has been inadequate. OUSD(I) officials concurred that oversight has been lacking and that they relied on each component's self-assessment of readiness to implement. As a result, they have not been able to verify whether adequate training has taken place or whether the components fully understand the required change management.

In addition, some intelligence components made changes to DCIPS without OUSD(I)'s prior approval or knowledge. As examples, DIA made significant changes to the performance evaluation tool and NSA decided to rename DCIPS as "ACE." Component-specific modification undermines the goal of creating a unified personnel system across the agencies.

Finally, OUSD(I) staff responsible for implementing DCIPS have extensive backgrounds in HR, but they have little change management experience. Similarly, the military services, which did not establish PMOs, experienced challenges with adequate staffing, resources, and authority for implementation.

Finding 4-3

The lack of an OUSD(I) DCIPS PMO has resulted in OUSD(I)'s inability to provide adequate oversight of DoD intelligence component readiness and implementation.

Governance

Governance entails establishing processes to resolve conflicts and make decisions. OUSD(I) has them in place at two levels: the Defense Intelligence Human Resources Board (DIHRB) and DCIPS Working Group.

Established in 2006, the DIHRB is responsible for addressing and providing recommendations to the USD(I) on human capital issues, including DCIPS. It is composed of a Defense Intelligence Senior Executive Service or equivalent official from each intelligence component, the DoD office of General Counsel, and Director of Administration and Management. The DIHRB is co-chaired by designees of the USD(I) and the Under Secretary of Defense (Personnel & Readiness) (USD(P&R)).[116] When the DIHRB is unable to reach consensus, the USD(I) decides the matter.

The DCIPS Working Group, composed of OUSD(I) HCMO staff and HR representatives from the intelligence components, is responsible for developing and updating personnel policies, reviewing and commenting on the design of tools to support DCIPS, serving as a liaison between

[116] *DoD Intelligence Human Capital Management Operations*, Department of Defense Instruction 3115.11, Jan. 22, 2009, pp. 5-7.

OUSD(I) and the components, and providing recommendations to the DIHRB, the USD(I), and the USD(P&R) on personnel business practices related to DCIPS implementation.[117]

OUSD(I) has a clear decision-making process for implementation, but decisions have not always been communicated or explained clearly to the workforce; sometimes, they have appeared arbitrary. One example is the split of GS-13 level personnel into pay bands 3 and 4 upon conversion to DCIPS. The DIHRB could not reach consensus on this issue, so the USD(I) decided to place GS-13 steps 1 and 2 into band 3, and those in steps 3 and above into band 4. The effect was to place into two new and separate pay ranges employees who sat side by side, did the same work in similar positions, and previously were in the same salary range. Many employees who view the decision-making process as confusing and seemingly arbitrary—and the outcome as unfair—cited this example.

Finding 4-4

Decisions have not been adequately explained to employees, which leads them to be distrustful of the decision-making process and view resulting decisions as unfair.

OPEN COMMUNICATION

▪ Information Access ▪ Outreach ▪ Feedback

Open communication entails providing the workforce with access to accurate and timely information. It also requires establishing an outreach mechanism for gathering and considering employee feedback.

Information Access

The framework's Information Access element refers specifically to having a website to support broad information sharing concerning design, training, and other implementation issues.[118] OUSD(I) maintains two sites for sharing program-related content: the DCIPS website and the DCIPS Readiness Tool.

DCIPS Website. The DCIPS Website (http://dcips.dtic.mil) offers status updates, links to information, and frequently asked questions pages aimed at addressing multiple issues. The website is the primary resource to which the intelligence component workforce is directed for a variety of information needs.

The website is primarily used by the military service organizations, which have accounted for well over 60 percent of the users in the past two years.

At a minimum, a good website should be:

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[117] Ibid, p. 7.
[118] 2008 OPM Framework, p. 25.

- Credible, timely, and original in its content;
- Responsive to the user;
- Easy to read and understand;
- Interactive;
- Well organized;
- Filling a necessary niche.[119]

The website fills an important niche for the intelligence components. However, it does not contain timely information that is interactive and responsive to the user. The home page offers a message from the USD(I) that has been updated only four times since its creation in 2007, most recently in January 2010. Further, the message lacks many key aspects of leadership engagement described earlier (sense of urgency, case for change, and the like) but instead discusses NDAA's effects. The remaining information on the site is generally one-dimensional, allowing for information to flow outward rather than in a manner that facilitates two-way communication.

The website was intended to be an information-sharing tool. As such, the information should be message based, technical, relevant, and timely. Websites currently use Web 2.0 tools to facilitate openness and engage and inform their audience. An example would be a prominently displayed blog that provides updates, answers questions, and interacts with users. Allowing the blog to receive comments would create a dialogue between users and administrators, stimulating open communication. Additionally, a video message from the USD(I) might be effective. These changes would support a more engaging, relevant, and multi-dimensional communication channel.

Comments from the Academy focus groups included multiple concerns with the website. Some users noted OUSD(I)'s overreliance on the site as its primary (and sometimes sole) communication channel. DCIPS employees are strongly encouraged to visit the site to address their questions or seek information, but usage data suggest that the website does not meet these information needs.

Visits to the website peaked during 2008. Since then, most visitors view only the home page; few click through to other pages. 2010 tracking figures to date indicate that the home page was visited more than 400,000 times, but that other pages typically had only 1,000 to 4,000 hits. This rate suggests that visitors open the home page, see little that has changed, and then leave the site. Thus, new but less prominently placed content might be missed.

[119] King, Andrew B. "What Makes a Great Web Site?" *Web Development and Design Tutorials, Tips and Reviews - WebReference.com*. Internet.com, Aug. 1999. Web. 21 Apr. 2010. http://www.webreference.com/greatsite.html.

Readiness Tool

The DCIPS Readiness Tool is a key communication channel and access point for program information, guidance, and training. Yet its target audience is primarily the HR personnel involved in implementation within the components. It contains numerous training courses and briefings developed by both OUSD(I) and the components.

A data repository for DCIPS implementers, the Readiness Tool is most used by the HR staff and their contract support. At present, there are a total of 428 registered users, and usage is light. A query of monthly activity indicated fewer than 20 hits per month. March 2010 had the highest number of hits in the 29 months since its launch.[120] Given that the tool is to be a resource for sharing guidance, communication, and training products, the level of engagement is notably limited.

The Readiness Tool has a number of challenges. From a design standpoint, the site structure is not intuitive; materials are not indexed and no search capability exists. Various forms of content reside on the site, but there is no clear indication of what is there, who developed it, what its purpose may be, or how accurate the materials are.

The tool shares many design features with the DCIPS website, including the labels of buttons and links, though they direct the user to different content within the Readiness Tool. For example, the Documents link on the website takes the user to published reports, while the same button on the tool takes the user to a mix of training course materials and briefings. Such design features confuse users.

A robust tool engages and presents or directs users to contextually relevant material, based on their role and issue. The existing Readiness Tool lacks this dynamic interaction as it is a static, un-indexed repository of information. OUSD(I) has not played an active oversight role in reviewing or managing the content; this adds to the difficulty of knowing whether the materials convey accurate information.

As web-based tools are critical to supporting the information needs of the DCIPS community, more robust, user-centered performance support tools are needed to address the range of performance support topics and issues that DCIPS encompasses.

[120] OUSD(I) Readiness Tool usage report.

Finding 4-5

The DCIPS website and Readiness Tool do not effectively provide comprehensive or timely information to their intended audiences. As a result, use of these tools is low and information needs are not being met.

Outreach

The Outreach element of the framework refers to adoption of a communication strategy that works to produce successful cultural change in a particular area. In DCIPS' context, the strategy would be developed and pursued by managers and HR implementers in the intelligence components. Outreach is a more tactical and repetitive form of interaction than senior leadership engagement; its focus is on status updates and technical and operational information. Review of this element addresses the overall strategy and approach taken for outreach, the channels of communication, and the message content.

Prepared by OUSD(I) in 2008, the DCIPS Communications and Learning Plan outlines the overall communication strategy. It was envisioned that the plan would be updated as program requirements and component needs emerged, but no updates or outreach guidance have been identified. The Readiness Tool also offers basic outreach materials for HR implementers to modify and use within the components.

Some components indicated that they engaged in substantial outreach efforts:

- DIA reported that it conducted more than 260 communication events as of mid-2008, including 164 "DCIPS Overview" town halls, 40 "Performance Management" town halls, 30 road shows, and several additional events for specific audiences.[121]
- Navy posted multiple briefings, brochures, fact sheets, and other communications on the DCIPS Readiness Tool; most content focused on the system's design features.
- OUSD(I) engaged in town halls, executive briefings, and surveys early in the implementation process, and recently sponsored an additional DCIPS workforce survey.

Overall, OUSD(I) has not effectively overseen or monitored the outreach efforts and indicators of activity that components have undertaken. The outreach approach within the components reflects some of the same challenges noted under Leadership Engagement, namely that senior leadership support, plans, and outreach activities were inconsistent.[122] In its Senior Leadership Guide to DCIPS, the Navy emphasized the importance of senior leaders in DCIPS' success and reiterated early USD(I) messaging: "DCIPS…embodies the core values of the U.S. intelligence community—Commitment, Courage, and Collaboration." Few other communications carried this critical message.

[121] DIA DCIPS Training Communications, Apr. 2008.
[122] Component briefings at National DCIPS Conference, Southbridge, Massachusetts, Feb. 2010.

Implementation responsibility for DCIPS, including outreach, has been left primarily to the intelligence components' HR managers, causing concern within their community about an over-reliance on them as change agents, especially when leadership support has been inconsistent or lacking. Absent visible agency leadership to provide consistent, frequent messages about DCIPS' importance, the perception has grown that the system is an HR program, not a broader strategic management program.

The DCIPS Communications and Learning Plan outlines a few communication "products," specifically the DCIPS website as the primary communication channel to the workforce and the Readiness Tool as the main repository of outreach guidance and examples for implementers. Most of the content of communications from OUSD(I) and the components focused on HR issues, such as the system's design and mechanics. No one, however, provided a strong case for the need, urgency, or desired outcome.

The lack of outreach success indicates that the approach and actions taken to date have been ineffective. Few focus group and open forum participants—employees and supervisors alike—could clearly explain the strategic outcome that DCIPS was designed to achieve. Their answers reflected an emphasis on process improvements but fell short of actual impacts and outcomes affecting their component's ability to achieve its mission. This is not surprising given the limited attention that senior leadership devoted to defining the desired outcome and communicating it. Although the link between DCIPS and mission enhancement is necessarily indirect, the discussion of any relationship between the two was largely ignored in strategic communications.

At a more tactical level, there appears to be a high degree of frustration and confusion among the workforce about many of DCIPS' technical features and its status. Communications were reactive and ever changing as ad hoc updates were issued for policy, guidance, tools, and other program aspects. The system implementation itself was rushed, and the outreach efforts reflected a lack of overall strategy and sufficient guidance.

As noted earlier, OUSD(I) did not provide strong oversight or guidance to the components for outreach. It pushed information out through the Readiness Tool, but did not engage in follow up to review component communications for accuracy and timing. The lack of strong, centralized guidance and oversight for outreach resulted in uneven activities and inconsistent messages among the components.

Additionally, OUSD(I) might consider issuing a style guide for outreach. A guide offers templates, key phrasing, terms, logos, and other features that would brand DCIPS as a unified program and allow all components to use a common voice when communicating about it. The lack of such guidance resulted in OUSD(I) and components reverting to templates from NSPS. Those templates failed to distinguish DCIPS from NSPS, and further perpetuated a negative association between the two programs.

Finding 4-6

The lack of a communications plan and style guide, incorporating strategic change management principles, has resulted in inconsistent messaging that has focused on the mechanics of DCIPS, rather than its mission-related objectives.

Feedback

Feedback means providing a formal mechanism for employees to provide input on specific aspects of the system, as well as a way for implementers to consider this feedback. Stakeholder Involvement, discussed later in this chapter, means actively engaging stakeholders in system design and implementation.

Employee feedback on DCIPS is collected at the component level through surveys, town hall and other types of meetings, and on an individual basis. Employees also can reach OUSD(I) staff directly through the Contact Us feature of the DCIPS website.

Focus group participants indicated that most feedback has consisted of individual complaints that HR staff handled. "Program level" issues are forwarded to the OUSD(I) and sometimes raised in the DCIPS Working Group. If necessary, the issue is addressed by the DIHRB. For example, a guide to writing DCIPS individual performance objectives[123] was developed in response to employee requests for guidance, and policy changes allowed employees hired under a specific career ladder to remain there under DCIPS.[124]

Thus, the intelligence components and OUSD(I) collect and consider employee feedback on an ad hoc basis. It would be more productive to establish a formal feedback mechanism so that employees know how to make their concerns heard, understand the process for considering feedback, and receive information on the outcome. As Academy colloquia participants pointed out, adjusting the system to respond to legitimate employee concerns helps build trust in the system.

Finding 4-7

Communications with the DCIPS workforce have primarily focused on pushing information out to the workforce. No formal mechanism exists to collect and consider employee feedback or report outcomes to employees.

[123] *Guide to Writing Effective Performance Objectives* describes how to write specific, measurable, achievable, relevant, and time-bound objectives ("SMART").

[124] U.S. Government Accountability Office, *DOD Civilian Personnel: Intelligence Personnel System Incorporates Safeguards, but Opportunities Exist for Improvement*, Dec. 2009, p. 27. Hereafter "GAO DCIPS Review."

TRAINING

▪ Planning ▪ Delivery

Effective training is comprehensive and delivered through multiple channels. Without it, employees waste time and effort, make mistakes, and experience frustration. In turn, this lack of knowledge and skill diminishes support for the system. Because DCIPS represents a major culture shift for the intelligence components, an effective approach encompasses both the broader knowledge and skills needed to support the change, as well as the technical features of the tools and work processes.

Planning

Training plans provide an overall strategy and framework for developing and delivering instruction that directly support the change being implemented. Issued in 2008, the DCIPS Communications and Learning Plan identifies the target audiences, learning strategy, preliminary list of training products (courses and exercises), and recommended sequence of learning events. The document represents OUSD(I)'s strategic guidance and overall approach to training.

More detailed plans, such as a training design document, are mentioned within the Communications and Learning Plan. A design document typically offers detailed guidance, including learning and performance objectives, assessment strategies, high level course flow, and design outlines. Similar to a style guide, it helps ensure that training has a level of consistency and conveys the knowledge and skills that employees need to adopt DCIPS. However, these design documents are not yet available.

The courses outlined in the DCIPS Communications and Learning Plan focus almost exclusively on knowledge and skills training about the system itself. Given the major culture change underway, shifting from a system requiring little management engagement to one placing significant new time and management requirements on supervisors, the degree of management burden is given minimal emphasis. The OPM framework holds that a solid training plan for implementing alternative pay systems should include employee training on how to understand, communicate, and accommodate change; communicate performance expectations; and offer feedback.[125] The DCIPS training plan falls short in these areas.

The plan outlines nine communication/learning products for employees and managers; one of the shortest courses is a two- to four-hour workshop where managers practice communicating with employees about their performance. Given the transformational change that DCIPS represents, there is a notable lack of training that targets the skills that managers need to build a performance-oriented culture. OUSD(I) has acknowledged the need for "soft skills" training, especially for first-line supervisors, that will better support DCIPS' overall performance management aspects.

[125] OPM Framework, p. 66.

No training needs assessments have been identified and no documentation is available that identifies what user groups actually need, a major omission. The plan simply outlines various course topics that address different aspects of DCIPS processes and tools; it lacks any user considerations. Had a training needs assessment been performed, OUSD(I) and the components would have been well positioned to identify user requirements and skills gaps (particularly related to soft skills training), support a more informed and thorough approach to training, and address constraints on delivery (such as bandwidth limitations for web-based training and other technical challenges). As written, the training is DCIPS centric, not requirements centric.

Specific training is also needed for rating consistency and fairness. Fed by reports of actual behavior, there is a perception that ratings are being forced to conform to predetermined distributions or specific quotas. There is the further perception, supported by actual NGA data, that administrative support staff (who primarily reside in Pay Band 2) are consistently given lower ratings overall since their work is less directly connected to the agency mission.

The use of performance ratings is new to most supervisors, and the guidance for ensuring objectivity and fairness must be thorough and consistent. Few supervisors have previously used a rating system tied to performance objectives; the concepts behind the system and the actual practices must be communicated, trained, and reinforced.

Raters must be more fully trained on how to apply a consistent approach to rating against the individual objectives and performance elements for each job, without bias against certain functions or forcing a distribution of ratings to a pre-set quota. Data suggest that more thorough training is needed across the DoD intelligence components to educate raters on how to prepare fair ratings.[126]

In addition, the DCIPS training evaluation approach relies on end-of-course evaluations. Monthly reports indicate the number of people trained, ratings of satisfaction, and other summary outputs. Missing is discussion of how the learning will be measured or applied in the workplace—that is, the actual *outcome* of the training. Although end-of-course ratings generally have been favorable (participants liked the training and thought it would be useful), online dialogue and focus group input suggests that training sometimes has been ineffective, particularly when the content or tools were subject to change.

Finding 4-8

Key planning documents, such as a training design document, are lacking and training courses have focused on DCIPS' technical features rather than the broader behavioral changes needed to support the transformation.

Delivery

Delivery refers to how well a training strategy is implemented. Comprehensive in content, contextually relevant, and tailored to a specific audience, effective training employs appropriate

[126] Academy online dialogue and open forum data.

assessment strategies and provides a mechanism for participant feedback or course evaluation. Registration and record-keeping should be seamless with training available on a just-in-time basis, especially for skills training.[127] Given the size, geographic dispersion, and complexity of the DCIPS population, training also should be offered through various media, including websites, electronic job aids, and reference guides.

As noted previously, many courses offered to the DoD intelligence workforce have focused on knowledge and skills associated with using DCIPS. Given that DCIPS policy and guidance were not stable at the outset, the training content often changed to accommodate changes in policy and updates to automated tools. This added both expense and workforce frustration.

The DCIPS training evaluation focuses on measuring participant satisfaction with individual training sessions and counting the number of participants trained monthly. These are common measures, but they do not assess the more important aspects of content validity (was the content correct and thorough), or application to the job (were they able to use what they learned).

Recent DCIPS survey questions asked whether training equipped employees with the skills needed for implementation.[128] Preliminary results suggest that more work is needed to train employees adequately in writing SMART objectives and communicating how DCIPS will affect them. Aside from NGA, fewer than half of the respondents from the intelligence components agreed or strongly agreed that they were satisfied with their training. At NGA, 52 percent agreed or strongly agreed. [129]

The ratings of satisfaction or "helpfulness" regarding specific aspects of the training (delivery method or specific topics covered) appear to be consistently lower; less than half of the respondents from all or most components gave favorable ratings to specific training questions. These findings suggest aspects that OUSD(I) may consider for improvement.[130]

Many employees, especially those in remote locations, noted technical challenges. Access to high speed Internet access is not universal among DCIPS employees, so web-based training is not effectively delivered to them. Further, representatives of the military services noted that they must retrain their uniformed managers more frequently as they experience turnover approximately every two years. This impacts the long-term management of DCIPS, as well as the ability to refresh leaders and maintain a consistent level of knowledge and proficiency among the uniformed supervisor cadre.

Academy-sponsored discussions generated mixed employee reactions to training. The biggest sources of frustration stemmed from the system's immaturity and tools. As policy changed, the training received became obsolete. Sometimes, trainers were unable to provide correct answers because the content was unstable. Still other employees complained that they had been unable to attend training because not enough courses were offered. Meanwhile, some managers found the

[127] Skills training should be conducted just prior to its subsequent application on the job—no more than two weeks before the application of the new skills—to maximize retention.
[128] 2010 DCIPS Survey Preliminary Results, Question 36.
[129] Ibid.
[130] Ibid.

pay pool exercises to be helpful and hands on, while others saw them as ineffective and were unable to transfer skills to the work environment. Overall, there has been considerable training activity but the actual impact has been less than effective.

The Panel views the design and delivery of appropriate training as critical to the successful implementation of DCIPS, especially given the critical role of first-line supervisors in the process. As noted previously, overall implementation lacks sufficient emphasis on the change management activities, including training, required to win the support of the workforce, especially managers and supervisors. Without their full understanding of what they are being asked to do, and why, implementation cannot succeed.

Additional attention is warranted to develop a thorough approach to DCIPS training, with particular attention paid to building understanding and mastery among managers and supervisors. Once these key stakeholders become fully trained and proficient, they will become the local experts and advocates who will demonstrate the value of performance management to their workforces through their actions.

Finding 4-9

Insufficient and incomplete DCIPS training has been provided and offered too far in advance of when employees need to use the skills being taught. Especially lacking has been training aimed at changing behaviors and equipping managers and supervisors with the skills they need to effectively implement and maintain DCIPS.

STAKEHOLDER INVOLVEMENT

▪ Inclusion

According to the OPM framework, consulting with key stakeholder groups on system design, development, and implementation is critical to employee acceptance and ultimate effectiveness.[131] GAO and others consider it to be a best practice as it reduces employee anxiety and resistance to change and fosters feelings of employee ownership and acceptance.[132]

Stakeholder involvement requires a commitment of resources and time. In addition, participation must be managed properly so that employees do not have unrealistic expectations of their influence and implementation is not stalled or halted due to negative feedback. In other words, employees should be involved in a process that considers their input, but they should not control the process.

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[131] OPM Framework, p. 26.

[132] See, for example, Risher, Howard, *Pay for Performance: A Guide for Federal Managers*, IBM Center for the Business of Government, Nov. 2004; Booz Allen Hamilton, *Pay for Performance (PFP) Implementation Best Practices and Lessons Learned Research Study*, June 18, 2008; and Fernandez, Sergio and Rainsey, Hal G., "Managing Successful Organizational Change in the Public Sector: An Agency for Research and Practice, *Public Administration Review*, (vol. 55, no. 2). Mar./Apr. 2006.

Inclusion

Identifying groups and their concerns is a key first step to involve stakeholders. A centralized assessment that solicits and consolidates component stakeholder input would be expected to provide useful information about:

- Individual organizational cultures;
- Organizational structures and work processes;
- Idiosyncrasies of component workforces; and
- Other conditions that might factor into DCIPS design features and approaches to specific implementation activities.

OUSD(I)'s outreach efforts did not account for many important features of component readiness. Specifically, first-line supervisors are key stakeholders who face significant changes to their job due to DCIPS. There is no indication that their needs, impact, and training requirements were assessed sufficiently prior to system implementation.

The intelligence components reported on their readiness to OUSD(I), but these reports focused on such items as trainings completed. They did not address the elements identified above or other important aspects of readiness, such as the workforce's understanding of the system or the ability of supervisors and managers to assume the additional responsibilities required for successful implementation.

Federal agencies with successfully implemented performance management systems provide useful examples of stakeholder involvement. For one, researchers who studied NGA's adoption of performance-based compensation credit early and ongoing stakeholder involvement with creating employee acceptance of the program.[133] To inform the design of the NGA system, the agency sponsored focus groups to assess employee concerns and needs. In addition, 20 employees from across the agency formed a steering group and were responsible for developing recommendations.

Following development of the design framework, 100 NGA employees organized into eight teams to develop new HR practices. They provided input on pay bands, performance management, career development, pay pool administration, and other system design aspects. Aggressive employee outreach and ongoing solicitation of feedback helped generate support for the transition, created champions who were sources of reliable information, and helped identify special circumstances and issues that could otherwise have impacted implementation negatively.[134]

The following examples provide additional best practices for stakeholder involvement:

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[133] Risher, Howard and Smallwood, Andrew, "Performance-Based Pay at NGA," *The Public Manager*, Summer 2009, pp. 25-26.
[134] Ibid, pp. 26-27.

- The Commerce Department used focus groups to gather employee input, which informed system modifications;
- TSA implemented an online "idea factory" to solicit employee suggestions to improve the system. Ground rules for this online dialogue limited discussion to constructive ideas on specific topics, such as evaluation criteria, rather than individual complaints; and
- TSA established a National Advisory Council composed of employees from around the country, selected by their peers to serve two-year terms. The council interacts with agency leadership and program offices on a regular basis.

OUSD(I) has engaged employees through town hall meetings and surveys while components have held their own town halls and other events like brown bag lunches and discussion groups. However, the purpose of these forums primarily has been to "push" information outward, rather than obtain workforce input.

In addition to these broader mechanisms, OUSD(I) partnered with ODNI to involve SMEs in IC-wide focus groups. For example, 147 SMEs from eight components participated in 19 workshops to develop and validate exemplar performance objectives. In another focus group, 37 SMEs from 11 components developed and validated performance standards. As a follow up to this effort, a survey was provided to all IC agencies to validate the results, though not all participated.

Intelligence component HR staff have been involved in DCIPS development and implementation through annual conferences and participation in the DCIPS Working Group and subgroups on Resources, Implementation, and Communications. The working group provides an opportunity for them to provide input and discuss issues, but meeting minutes indicate that it primarily has been used as a mechanism for OUSD(I) to provide information.

In GAO-sponsored focus groups, intelligence component employees reported that their involvement in DCIPS development and implementation was limited or nonexistent.[135] In addition, an ODNI assessment of IC pay modernization based on 50 interviews conducted with professionals from NRO, ODNI, NGA, NSA, DIA, and OUSD(I) concluded that stakeholders at every level must be more involved in the process. For example, managers and supervisors reported that they were informed, but only somewhat included.[136]

Academy online dialogue and focus group participants indicated that they were not adequately included in DCIPS development and, as a result, felt that the system was imposed on them. That most online dialogue participants used it as a forum to air their concerns—rather than offer constructive suggestions and ideas—underscores the fact that employees believe they have not been adequately heard. Participants in the open forums contrasted the opportunity afforded them in that venue with the more formal, lecture-style format of town hall meetings involving agency leadership and the workforce.

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[135] 2009 GAO Review, p. 8.
[136] IC Community (IC) Pay Modernization Project Office, "Stakeholder Analysis," p. 13. (undated PowerPoint)

Given the magnitude of the change and complexity associated with DCIPS, the lack of stakeholder participation in system design and implementation undermines the system. Employees feel no ownership, resulting in a high level of resistance to the changes it represents.

A formal mechanism for gathering stakeholder input on design and implementation—or guidance on when and how it will influence DCIPS—would help ensure that stakeholders are adequately involved. In response to a GAO recommendation, OUSD(I) indicated that it will develop such guidance.[137] It also reported that its most recent employee survey will be followed by focus groups, a positive first step.

Finding 4-10

Stakeholder involvement has not been strategic or centrally managed. Stakeholder participation has been ad hoc, limited, and often focused on narrow technical aspects of DCIPS, resulting in increased employee resistance to DCIPS.

IMPLEMENTATION PLANNING

▪ Work Stream Planning and Coordination ▪ HR Business Processes and Procedures

▪ Tools and Technology Infrastructure ▪ Structured Approach

DCIPS affects every aspect of personnel management for DoD's civilian intelligence workforce. This change requires a comprehensive planning process and development of a necessary infrastructure to support the new system, including policies, procedures, and automated tools. It also requires a broad change management approach with mechanisms to assess progress and manage risk.

Implementation planning includes work stream planning and coordination, HR business processes and procedures, tools and technology infrastructure, and a structured approach. These elements provide the foundation on which to build a successful alternative personnel system.

Work Stream Planning and Coordination

Work stream planning and coordination refer to a detailed implementation plan that includes streams of work and milestones for designing and implementing a system. The four-page January 2008 Program Plan for DCIPS Implementation includes a mission statement and business case for change. It also describes the program's strategy, scope, objectives, and implementation phases. The five program phases are:

1. Transforming Human Resources Policy;
2. Preparing for Successful Implementation;

[137] GAO Review, p. 35.

3. Implementing DCIPS;
4. Evaluating the Success of DCIPS; and
5. Life-Cycle Support.

The program plan does not provide sufficient detail or milestones; it refers to an "established timeline" but does not include it. Further, its focus is on tactical strategies; references to change management issues are vague and few in number.

In addition, the program plan was not followed. DCIPS policies and processes were to have been developed in the first phase of implementation. In reality, the timelines for Phases 1 through 3 were compressed and overlapping, and key policies were not ready at the outset.

Finding 4-11

The Program Plan for DCIPS Implementation does not focus sufficiently on change management and lacks milestones for measuring progress.

HR Business Processes and Procedures

According to the OPM framework, business processes and procedures related to an alternative personnel system should be documented *prior* to implementation.[138] These processes and procedures provide the foundation for the development of automated tools, training materials, and other implementation activities.

A major flaw of DCIPS' implementation is that components were transitioned to DCIPS before processes, procedures, and roles and responsibilities were finalized. For example, the DoD policies, procedures, and responsibilities regarding performance management *and* for the DCIPS occupational structure were not finalized until August 2009—two years after implementation began. Although interim final regulations were signed in July 2008 for performance management, occupational structure, and pay administration—two months in advance of the first conversion of employees into DCIPS—some components were unwilling to publish local implementing polices based on "interim final" regulations. In addition, two months is insufficient time for employees to be informed of and trained on the policies and procedures. Further, several important DCIPS policies and procedures have not yet been completed, as noted in Chapter 3.

Implementing DCIPS while simultaneously developing and finalizing its policies and processes has had widespread negative effects. The lack of firm policy and guidance has impacted communications, training, and automated tools. Data from the Academy focus groups, online dialogue, and open forums indicate that communications and training have included inconsistent and contradictory information, and trainers have been unable to provide complete answers to even basic questions.

[138] OPM Framework, p. 27.

Taken together, these shortcomings have caused confusion, anxiety, and mistrust among employees, and they have contributed to perceptions that the system is not transparent.[139] In addition, focus group participants—some of whom serve on the DCIPS Working Groups—noted that fluid policies have challenged their ability to provide consistent, accurate guidance.

Finding 4-12

Implementing DCIPS prior to the completion of HR business policies, processes, and procedures has caused confusing and contradictory training course content and communications messages, frustrating the workforce.

Tools and Technology Infrastructure

The OPM framework includes development of an IT infrastructure and appropriate tools as an aspect of successful implementation.[140] The planning process should include design and implementation of these tools—especially related to the website, performance management, pay pool administration, and data conversion—to support system implementation and administration.

As noted previously, a DCIPS website and various tools have been developed, including the Performance Appraisal Application (PAA), Compensation Workbench (CWB), and DCIPS Payout Analysis Tool (DPAT). The first is used by employees and rating officials to develop, update, and view performance plans. The second is a spreadsheet used by pay pool panels to carry out such tasks as generating salary increase and bonus amounts based on the DCIPS algorithm and creating a one-page summary of payout information for each pay pool member. The third is a spreadsheet used to analyze pay pool process results. Data from multiple CWBs can be imported into the DPAT to generate statistics on rating distributions, salary increases and bonuses, and pay pool funding and allocations.

Focus group, online dialogue, and open forum participants; DCIPS survey respondents; and individual interviewees all voiced dissatisfaction with the automated tools, especially the PAA. Among their comments: "the PAA has never worked properly" and "almost useless." Another noted, "Poor tool readiness (e.g., PAA/CWB) negatively affected credibility/acceptance." Depending upon the agency, between 20 and 45 percent of the respondents to the DCIPS survey either disagreed or strongly disagreed that the PAA is helpful in planning or tracking performance against objectives.[141] The perception is that tools were immature and not adequately tested prior to DCIPS implementation.

DCIPS Working Group minutes confirm that the tools were under development and tested long after many components had transitioned to DCIPS. User guides were developed late, tools were time-consuming and not user friendly, and training was inadequate. The PAA is not available on the classified systems used by many intelligence component employees, and some agencies

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[139] Intelligence Community (IC) Pay Modernization Project Office, *Stakeholder Analysis* (undated PowerPoint); Academy focus group, online dialogue, and open forum participants.
[140] OPM Framework, p. 28.
[141] 2010 DCIPS Survey Preliminary Results, Question 59.

created a separate document for some of their employees to use at the classified level. Also, the tools were modified midstream to respond to changes in policies and processes.

OUSD(I) officials acknowledge that the PAA is cumbersome and not useful as an oversight tool. As one HR professional put it, the PAA "is the face of DCIPS" to the average employee and problems with its usability have increased employee frustration.

Finding 4-13

DCIPS automated tools are immature and difficult to use, further frustrating employees.

Structured Approach

The OPM framework describes the Structured Approach element as the comprehensive change management strategy that addresses "people" issues during implementation.[142] A structured approach or change management strategy takes into account anticipated employee reactions and provides support for employees as they experience the process.

Multiple organizational cultures exist within and across the DoD intelligence components, each of which has a unique mission and way of conducting its work. This variety represents one aspect of workforce complexity. DCIPS requires a shift in the underlying philosophy about managing and rewarding the workforce. It is not a set of new tools or procedures to conduct performance reviews, but a transformation requiring a structured approach to guide implementation.

Change management principles provide the core framework for structuring successful implementation efforts, especially those as sweeping as DCIPS. Successful change management efforts of this scope must address both the *transformational* and *transactional* aspects of change:

- Transformational aspects of change relate to overarching strategy and leadership, the long-term vision and purpose for the change, and overall goals and desired outcomes.
- Transactional aspects of change are tactical, day-to-day management activities required to build and reinforce desired new behaviors. They include specific practices, procedures, tools, communications, and training that support the effort and facilitate the adoption of DCIPS by the workforce.

<u>Transformational Change</u>

Transformational change requires a clear vision of the desired new state, a guiding strategy for achieving the goal, and strong leadership throughout the process.[143] Leaders initiating the change must visibly champion the effort and use every opportunity to communicate a simple, clear, and

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[142] OPM framework, p. 28.
[143] Stragalas, N. Improving Change Implementation; Practical Adaptations of Kotter's Model. *OD Practitioner,* vol 42(1), 31-38. (2010).

compelling case. That message must include a vision of success, the benefits that the change offers, and even the risks of failure.

Leaders also must play a critical role in driving the change and maintaining its momentum, while simultaneously understanding the organizational climate in which it is taking place, including readiness or barriers to implementing the change within target organizations.[144] For many employees, DCIPS represents losing something they value: pay security and predictability. Leadership must recognize the loss and clearly explain how the gains are worth the effort.

Readiness assessments of the target organizations help identify aspects of culture that must be considered and provide critical input to change efforts. Understanding organizational readiness can help leaders craft implementation strategy and communications, which in turn can help mitigate challenges and resistance. In DCIPS' case, DoD intelligence components performed some readiness assessments and updates, but OUSD(I) did not provide centralized oversight.[145]

Transactional Change

Transactional change encompasses the various activities carried out by the implementers—in this case, HR staff and line managers throughout the components. These aspects of change are more tangible and operational in nature than the transformational aspects, which focus on leadership. They include specific guidance, processes, procedures, tools, operationally-focused communications (e.g., status of specific activities, refinements to guidance, schedules), and incentives or accountability measures intended to reinforce adoption of the changes.

With DCIPS, supervisors must learn and demonstrate new behaviors to support a performance orientation, such as effectively communicating with employees about their performance, conducting periodic reviews, developing measureable objectives, and employing new automated tools. OUSD(I) acknowledges that it rushed to implement DCIPS, and did so without key structural components in place. The Implementation Plan mentions development of a change management plan as a Phase 2 task, but none was developed, notwithstanding the importance of change management as emphasized in the Communications and Learning Plan.

Overall DCIPS implementation largely ignored the transformational aspects of change. Building on the defects in Engagement and Outreach, the lack of a change management plan highlights a missed opportunity to develop the clear, compelling case for change and emphasize its urgency. It also resulted in ad hoc implementation activities that focused on tactical or transactional issues and lacked an overall approach.

DoD intelligence components conducted their own readiness assessments, but it appears the results were not considered in overall implementation. Feedback for this study suggests that OUSD(I) largely ignored the uniqueness of the components' cultures. It is not surprising that the

[144] Siegal, W., Church, A.H., Javitch, M., Waclawski, J., Burd, S., Bazigos, M., Yang, T.F., Anderson-Rudolph, K., and Burke, W.W. Understanding the Management of Change: An Overview of Manager Perspectives and Assumptions in the 1990s. *Journal of Organizational Change Management*, vol 9(6), 54-80. (1996).

[145] Examples of these component readiness assessments are included in the DCIPS Readiness Tool under Program Management.

lack of an overall change strategy resulted in omission of accommodations for varying states of readiness. It has resulted in a substantial challenge to this overall change effort.

Finding 4-14

DCIPS implementation efforts focused largely on tactical functions, not on fundamental change management practices that would have supported the sweeping behavioral and other changes necessary to transition to DCIPS. Even so, many tactical aspects of DCIPS were not implemented effectively or completely.

PROGRESS

In contrast to the Preparedness component, which addresses the readiness of the intelligence components to implement DCIPS, the Progress component measures the degree to which they have achieved or are achieving the broad transformation goals needed for successful implementation. The Progress dimensions are:

- Mission alignment;
- Results-oriented performance culture;
- Workforce quality;
- Equitable treatment; and
- Implementation plan execution.

Overall, it is too early in DCIPS' implementation to measure progress on these dimensions adequately. Given the staggered rollout and the complications resulting from the NDAA pause, no component has had sufficient experience with DCIPS or data to support an assessment of each Progress dimension. The Panel's findings reflect employee perceptions about what has happened thus far, and highlight concerns about anticipated challenges as implementation continues.

MISSION ALIGNMENT

▪ Line of Sight ▪Accountability

Mission alignment refers to how well individual, team, and unit objectives link to organizational mission. The elements are:

- Line of Sight. Represents the cascading link of organizational mission to individual employee performance objectives and plans.

- Accountability. Ensures that linkage to mission is included in performance plan objectives and judged based on the credibility of performance targets and employee perceptions of accountability.

Links to mission objectives are a central design feature of DCIPS. A majority of DCIPS survey respondents from five intelligence components indicated that they agreed or strongly agreed with the statement, "I understand how my work relates to the goals and priorities of my organization or component."[146] Many employees view the alignment of performance objectives to mission as a positive aspect of DCIPS.[147]

Finding 4-15

Employees support the concept of aligning individual performance with organizational mission and understand how their performance objectives align with their agency's mission. It is too early to assess whether employees are being held accountable for mission alignment.

RESULTS-ORIENTED PERFORMANCE CULTURE

▪ Differentiating Performance ▪ Pay for Performance ▪ Cost Management

DCIPS must effectively differentiate levels of performance and link rewards to performance to be successful. It also must enable effective management of payroll and other implementation costs.

Differentiating Performance

A formal process to review and assure the quality of performance ratings is necessary to ensure a system that adequately recognizes different levels of performance. As described in Chapter 3, DCIPS' design includes such a process. In addition, employees must perceive that ratings accurately reflect performance levels; otherwise, they will view the system as unfair and arbitrary, and resist implementation.

DCIPS' design has a built-in series of checks and balances, but employee experiences with the rating review and quality assurance processes have led them to believe it is opaque and untrustworthy. Very few respondents to the DCIPS survey agree that these processes—or reconsideration and other grievance processes—will contribute to fairness in DCIPS.[148] Employees assert that ratings assigned by supervisors change during the process without explanation or recourse, and that it is impossible for them to determine where their rating was

[146] 2010 DCIPS Survey Preliminary Results, Question 68. Data on this question were available from five components: Navy/USMC, NSA, NGA, DIA, and OUSD(I).
[147] Online dialogue, focus group, and interview participants.
[148] 2010 DCIPS Survey Preliminary Results, Questions 20, 21, 25, 27.

changed and by whom.[149] This appears to result from the way the process is implemented, rather than a function of how DCIPS was designed.

More troubling are the widespread perceptions of why ratings are changed. Dozens of individuals, representing at least four different intelligence components, reported through the Academy online dialogue, open forums, and interviews that rating quotas or bell curves were enforced in their agencies. Such practices are prohibited by DoD Instruction[150] and OUSD(I) and ODNI have communicated that they are not permissible.[151] Nonetheless, the perception is that such practices occur.

DCIPS employees are being told by their supervisors, correctly or not, that their ratings have changed due to the office being required to fit a bell curve or achieve an agency-wide bell curve. In addition, supervisors reported that they are told to follow a bell curve when rating their employees. Nine different "idea threads" from the online dialogue, each with multiple examples, indicate that the practice is perceived as widespread across agencies and condoned by management. Representative comments from supervisors:

> I was shocked when I was instructed to fit my ratings distribution to the predetermined curve (50% "3", 35% "4" and 15% "5").
>
> As a supervisor I was told there were no quotas and to rate my employees how I feel they performed. Yet there was pressure from above and "guidance" given, that if my ratings didn't adhere to the general quota distribution that my agency was aiming for, my own performance rating would suffer.
>
> Some raters, including myself, were repeatedly told that we have to adhere to an office "bell-curve" so that ratings are equally distributed across the agency. We also had to submit proposed ratings for employees before appraisals were prepared to ensure that we were within our "bell-curve boundaries."

Ratings data provided by OUSD(I)[152] do not support, nor do they dispel, the claims that bell curves are enforced. Among the agencies from which data were examined, many more employees rated as 4s than 2s, resulting in a skewed distribution. Approximately 82 percent of employees in the six agencies received a rating of 3. Only .06 percent of all employees received a rating of 5.

Some employees have asserted that manipulation of ratings exists, and is proof that DCIPS has been designed to keep payroll costs down. Others have blamed perceived rating quotas for

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[149] Academy online dialogue and open forum participants.
[150] DCIPS Performance Management Instruction (DoDI 1400.25-V2011).
[151] See DCIPS, *Prohibition of Forced Distribution of Ratings Fact Sheet*, Aug. 2009. http://dcips.dtic.mil/documents/Prohibition_of_Forced_Distribution.pdf; and Memorandum for Heads of Intelligence Community, All Intelligence Community Employees, *Implementing Performance-Based Pay in the Intelligence Community*, June 12, 2009 (http://www.dami.army.pentagon.mil/site/dcips/documents/Memos/DNI/DNI%20Letter%20to%20%20IC%20Workforce%20regarding%20DCIPS%20status.pdf).
[152] Ratings data were available for six components: DIA, Navy, NGA, NSA, OUSD(I), and USMC.

increasing competition among employees and inhibiting collaboration. In general, such perceptions have the effect of undermining DCIPS' credibility and integrity. That these beliefs appear widespread and strongly held presents a difficult challenge to overcome.

Online dialogue and open forum participants frequently mentioned that some supervisors are inflating ratings to help ensure their employees will get larger payouts, while other employees are being disadvantaged because their supervisors are "being honest." In some cases, employees reported that they have been told to rate themselves, and that supervisors do not deal properly with those who inflate their own ratings.

Overall, employees have lost confidence in DCIPS performance ratings for various reasons, including the belief that there is little relationship between ratings and performance. Only slightly more than half of DCIPS survey respondents who rated this item believed their supervisors rated them fairly.[153] This perception of unfairness affects morale and severely undermines the system. As ODNI and OUSD(I) staff repeatedly stated, if the performance management part of DCIPS operates properly, the rest of the system will fall into place. Conversely, if that aspect is flawed, the entire system may fail. Consequently, it is important to provide better communications, training, and oversight to address issues related to the misapplication of official guidance on the rating process.

Finding 4-16

Perceptions that ratings are being manipulated in the DoD intelligence components have undermined the integrity and credibility of DCIPS and led employees to believe that ratings do not accurately reflect performance.

Pay for Performance

One of DCIPS' main purposes is to reward good performance so there must be a strong link between ratings and salary increases and bonuses. This link is measured in terms of the average increase and bonus amount by performance level and pay band. Employees must believe that salary increase and bonus amounts are based on performance levels and that subjective considerations, as well as favoritism, are at a minimum.

A strong majority of DCIPS survey respondents supported the concept of performance-based compensation,[154] but some DCIPS design and implementation features affect perceptions of how the system rewards performance. For example, employees believe pay pool decisions are biased toward work that directly supports the agency's mission and that employees in administrative and technical positions are disadvantaged. In other words, they believe that those doing high profile, visible work directly related to the mission are rated more highly, regardless of relative performance. Those in the field believe ratings are biased in favor of headquarters employees.

[153] 2010 DCIPS Survey Preliminary Results, Question 63—data for this question were available from only five components. .
[154] 2010 DCIPS Survey Preliminary Results, Question 10.

How pay pools are constructed and which pay pool an employee is placed in also will affect payouts. All else being equal, employees could receive different payouts depending on the characteristics of their pay pool.

Finding 4-17

Several factors negatively affect employee views of the link between pay and performance, including perceptions regarding ratings manipulation, perceived biases against support occupations and those in the field, and differences in payouts across pay pools.

Cost Management

Cost management is the extent to which decision makers have access to reliable estimates of costs associated with program design and implementation, and the degree to which costs are budgeted.

OUSD(I), responsible for developing guidance to track implementation costs, reports that DCIPS implementation has required $60 million thus far.[155] More specific budget information is classified, making it impossible to analyze the data in an unclassified context. Thus, this analysis focuses primarily on cost management processes that are in place.

OUSD(I) established a Resource Management Sub-Group (RMSG) as a mechanism to track component cost estimates and actual expenditures for designing and implementing DCIPS; define and develop guidance for capturing cost information; and ensure resources are leveraged to maximum effectiveness and efficiency.[156] To identify and capture direct and indirect cost categories, the RMSG reviewed cost categories used by NSPS, as well as GAO recommendations for how the NSPS cost management system should be improved.

Estimating costs accurately is another aspect of cost management. OUSD(I) officials indicated that mock payout data will be analyzed to determine how much it actually will cost to run the pay pools, which is currently unknown.

Intelligence components were directed to estimate payroll costs based on the previous year's budget and were responsible for estimating other implementation costs. Most underestimated costs for different reasons. For example, some agencies did not budget enough for training, and OUSD(I) and ODNI had to make up the difference. Because NSA delayed conversion, it does not now have the estimated $30 million necessary to convert its workforce to DCIPS, though solutions for this budget shortfall are being explored.

OUSD(I) has taken appropriate measures and established effective mechanisms to track implementation costs accurately and comprehensively. Although guidance and mechanisms allow components to estimate, track, and manage costs, minor problems have impacted estimates

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[155] This is only the amount allocated by OUSD(I) for DCIPS design and implementation. Each component was responsible for funding its own PMO, workforce conversion, and such implementation activities as training.
[156] OUSD(I), Resource Management Sub-Group Kickoff Meeting, Oct.12, 2007 (PowerPoint).

and budgeting. Once DCIPS is fully implemented, the components will have to pay for the system from their own budgets so there should be some improvement in estimating and managing costs at that level.

Finding 4-18

OUSD(I) has established mechanisms for managing implementation costs and has appropriately built on lessons learned from NSPS. However, improvements in cost estimation and management are needed at the component level.

WORKFORCE QUALITY

▪ Recruitment ▪ Flexibility ▪ Retention ▪ Satisfaction and Commitment

This dimension encompasses progress in terms of an organization's ability to recruit qualified individuals, flexibly manage its workforce, retain good performers, and increase employee satisfaction and commitment. The system must have been in place for a period of years before data can be collected to support conclusions regarding these factors. None can be assessed at this time given the early stages of DCIPS' implementation.

EQUITABLE TREATMENT

▪ Fairness ▪ Transparency ▪ Trust

Equitable treatment refers to employees' perceptions of how they are being treated in a new culture. The elements of equitable treatment are fairness, transparency, and trust.[46] According to the OPM framework, these cultural aspects of implementation "have a significant impact on the degree of success" for an alternative personnel system.[47] Due to the early stage of DCIPS' implementation, analysis of these elements is limited to employee perceptions.

Fairness

Design and implementation can impact employee perceptions of the fairness of agency practices in the context of adopting DCIPS. As discussed with the Differentiating Performance element, believing that DCIPS does not accurately rate performance can have serious ramifications for employee perceptions of fairness. Other decisions and practices viewed as unfair include the GS-13 split between pay bands 3 and 4 upon conversion, described earlier, and the differences in payouts of different pay pools. The former was a one-time conversion issue and will not happen again. However, the effects on the employees placed in pay band 3 will be long term.

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[46] OPM framework, p. 32.
[47] Ibid.

DCIPS survey results indicate that most intelligence component employees do not believe that the checks and balances in DCIPS' design—including the PM PRA, PP PRA, their agency's grievance system, and equal employment opportunity complaint process—will contribute significantly to system fairness.[157] Similarly, only a small percentage of employees believe that the pay pool decision tool and panels contribute to fairness; percentages range from 11 to 26 percent in six of the agencies.[158] It is unclear whether employees understand how these processes contribute to DCIPS' fairness. If they do not, communications and training could address the problem. If they do, the processes themselves need to be reevaluated.

Transparency

For DCIPS to be transparent, stakeholders must have access to and understand processes and procedures related to the system's performance-based compensation aspects. Some focus group and online dialogue participants reported that DCIPS improves transparency by requiring and improving the rigor of documentation of performance evaluations, ratings, and decisions. Yet lack of transparency was a recurring theme in the online dialogue. The causes are many and have been discussed earlier: the lack of complete and clear policies and guidance; the opaque rating review process; inadequate training; and ineffective communications. Employee perceptions of transparency will affect their views of fairness and trust.

Trust

This element relates to the impact of DCIPS on the level of trust that employees have in their supervisors. If the issue of enforced ratings distributions is not addressed, trust in supervisors will erode. As one online dialogue participant said, "How can we ever trust management when they do this to us." It is clear from the dialogue and open forums that some segment of the workforce lacks trust in its supervisors, or at least its second level of management. However, it is too early to determine whether distrust has been exacerbated by DCIPS or will ultimately decrease if DCIPS is implemented as designed.

Finding 4-19

Employee perceptions of fairness, transparency, and trust are negatively affected by the widespread belief that ratings and pay do not accurately reflect performance, the opaque ratings review process, inadequate training, and ineffective communications.

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[157] 2010 DCIPS Survey Preliminary Results, Questions 20, 21, 25, 27

[158] 2010 DCIPS Survey Preliminary Results, Questions 76, 81. The six agencies that responded to these questions were Army, Air Force, Navy/USMC, DSS, NSA, and NGA.

IMPLEMENTATION PLAN EXECUTION

▪ Work Stream Planning and Status ▪ Performance Management System Execution

▪ Employee Support for DCIPS

Implementation plan execution assesses whether implementation is proceeding as planned. The elements are work stream planning and status, performance management system execution, and employee support. For a variety of reasons, none of these elements can be assessed adequately at this early stage of DCIPS' implementation within the DoD intelligence components.

Work Stream Planning and Status

Work stream planning and status assess the comparison of the implementation process with the planning process. Since the DCIPS Implementation Plan lacks specific tasks and milestones, it is impossible to assess implementation against the plan.

Performance Management System Execution

Assessment of performance management and system execution requires a quantitative analysis of performance plans and annual reviews. This long-term analysis is not possible given the timeframe of this review.

Employee Support for DCIPS

As explained earlier, the Academy Panel and study team made substantial efforts to assess employee support for DCIPS. However, the number of participants was relatively small—approximately 900 in open forums, 60 in focus groups, and 1,800 in the online dialogue—given a workforce of more than 50,000 individuals. In addition, experience indicates that these data collection methods are more likely to attract individuals with specific issues and concerns, rather than strong advocates.

The recent OUSD(I) DCIPS survey had a fairly high response rate and likely provides a more robust depiction of employee sentiment.[159] The results indicate that employees have mixed feelings about performance-based compensation. For example, between 73 and 91 percent (depending upon component) supported the statement that individual performance should be considered when granting pay increases, with the largest increases going to the highest performers.[160] However, far fewer respondents, ranging from 10 to 34 percent depending upon the component, thought their own performance would be more effectively recognized under DCIPS.[161] The fact that performance-based compensation as a concept is viewed so positively across all components, but that concerns remain about how it will be applied under DCIPS, further suggests the implementation efforts and outreach were lacking.

[159] 2010 DCIPS Survey response rates are as follows: Air Force/NRO: 49 percent; Army: 46 percent; DIA: 37 percent; DSS: 52 percent; Navy/USMC: 38 percent; NGA: 17 percent; NSA: 33 percent; OUSD(I): 39 percent.
[160] 2010 DCIPS Survey Preliminary Results, Question 10.
[161] 2010 DCIPS Survey Preliminary Results, Question 11.

CONCLUSIONS

The Panel finds that a significant amount of time and effort have been expended by OUSD(I) and the DoD intelligence components on DCIPS implementation, but that all aspects of DCIPS implementation related to the Preparedness component of the OPM Assessment Framework are nonetheless significantly flawed and that it is too early to assess the Progress component. It is important to note that this situation is not the sole responsibility of the HR professionals in the DoD intelligence components tasked with implementing DCIPS. These individuals were given a charge that would have been very difficult to achieve under the best of circumstances and have endeavored to do the best job possible.

The Panel further concludes that DCIPS implementation was rushed, and an overall change management strategy was not established to guide the transformational and tactical dimensions of implementation. These critical omissions have created a host of challenges that must be addressed, including a major effort to rebuild employee trust. Given the nature and scope of the challenges, DCIPS leadership must fill many key gaps in leadership and strategy prior to engaging in further implementation activities. To prepare a stronger foundation going forward, leadership must fully support and appropriately allocate additional time and resources to developing:

- A more thorough strategy;
- A stronger system of governance and accountability;
- Clearer messaging; and
- Refined business rules, tools, and training that support the system.

As noted in the training discussion, a critical missing component is intensive training for first-line supervisors on all system aspects, including basic managerial behaviors and communications that underpin DCIPS and every performance management system. The lack of adequate managerial training is a chronic weakness across the federal government, but it is magnified with DCIPS since it requires new and different behaviors from supervisors, many of whom have had limited demands placed on them for developing personnel management skills.

Implementation of a performance management and performance-based compensation system requires years to accomplish.[162] A more thoughtful, incremental, and methodical approach to DCIPS implementation will minimize the risk of repeating past implementation mistakes. The Panel provides the following recommendations to assist OUSD(I) and the DoD intelligence components to accomplish this successfully with DCIPS.

Recommendation 10. OUSD(I) should develop a comprehensive change management plan for proceeding with DCIPS implementation that takes the current climate into account,

[162] Interviews and the examples of NGA and MITRE support this statement.

including the effects of earlier implementation efforts, the NDAA, and the Panel's recommendations.

Recommendation 11. OUSD(I) should move swiftly to finalize DCIPS governing policies, make them available to the workforce, and communicate them widely to improve transparency and ease of understanding.

Recommendation 12. OUSD(I) should concertedly communicate to the workforce that forced distributions and ratings quotas are prohibited by DCIPS guidance and violate DCIPS' design principles, and that steps are being taken to ensure that the practice does not occur.

Recommendation 13. The USD(I) should be more visibly engaged, set key implementation objectives for DoD intelligence component leaders, and meet with them regularly to hold them accountable for meeting those objectives.

Recommendation 14. OUSD(I) should develop a detailed communications plan and style guide as part of its overall change management efforts. This plan should address strategic communications about the overall DCIPS system and implementation, as well as an approach for tactical communications about status, updates, and other fluid aspects of implementation.

Recommendation 15. As part of the overall change management effort, OUSD(I) should develop a thorough training plan and specific instructions aimed at first-line supervisors and managers to equip them with the personnel management skills needed to fully implement and maintain DCIPS.

Recommendation 16. OUSD(I) should immediately streamline performance management and evaluation processes and automated tools to lessen the administrative burden on first-line supervisors and managers.

Recommendation 17. OUSD(I) should establish a program management office, with the requisite staffing, resources, and authority to design and implement a comprehensive change management strategy and provide adequate oversight of DoD intelligence component implementation.

Recommendation 18. OUSD(I) should make the DCIPS Readiness Tool and website more user-friendly and interactive in order to meet the information resource needs of their intended audiences through timely, accurate, and updated information.

Recommendation 19. OUSD(I) should employ best practices for stakeholder involvement and develop guidance for gathering and considering continual employee feedback.

CHAPTER 5

ASSESSING DCIPS' IMPACT

INTRODUCTION

This chapter responds to the NDAA's provision for a review of DCIPS' impact on career progression and its sufficiency in providing diversity protections for promotion and retention. The Panel notes that its findings, conclusions, and recommendations are limited given that DCIPS has not been fully implemented in any DoD intelligence components other than NGA. Only NGA has experienced the full range of system elements: performance management, pay banding, new personnel policies, salary pay pools, and bonus pay pools. As a result, only two sources are available to extrapolate DCIPS' impacts:

1. Employee perceptions and experiences, which illustrate their experience to date. These perceptions must be dealt with in further implementation, however they are of limited value in judging the real impact of DCIPS; and
2. NGA's experience with DCIPS and a performance-based compensation system, which is also of limited value as explained further below.

Employee Perceptions of DCIPS

Senior managers and HR professionals have shared their perspectives and experiences through the Academy focus groups and intelligence component employees have provided their feedback in the online dialogue and agencies' open forums. These data cannot be presumed to be entirely representative of the views of the larger workforce, but consistent themes have emerged regarding DCIPS' impact on individuals and areas where remedial action is needed. Additional perspectives are provided through the recently completed OUSD(I) DCIPS survey.

NGA Experiences with Pay-for-Performance

As noted previously, NGA has experienced a decade's worth of data collection with a pre-DCIPS performance-based compensation system and one full performance management and compensation cycle under DCIPS. These data should provide a reasonable basis from which to infer, albeit indirectly, DCIPS' impact on other DoD components.

EMPLOYEE PERCEPTIONS

HR Professionals

In February 2010, the OUSD(I) HCMO sponsored the National DCIPS Conference, designed to provide information to intelligence component HR officials about DCIPS Interim, the system devised to deal with the NDAA-mandated strategic pause. This three-day program provided the

Academy study team with insights on DCIPS' impacts, based on the experiences and opinions of personnel in attendance.

The participants seemed generally supportive of DCIPS, but were struggling with the complexities of the new interim process, frustrated by the NDAA pause, and uncertain whether their efforts to implement DCIPS would lose momentum. There was general agreement on:

- The positive impact that the DCIPS performance management system was having on DoD intelligence components by requiring managers to engage in performance discussions with their subordinates;
- The multiple levels of review built into the process, creating a more consistent and fair means for evaluating performance; and
- The opportunity for personnel with analytic and operational skills to progress to higher salary levels without having to assume management responsibilities.

The HR professionals described negative impact, as well. Some questioned DCIPS design and implementation choices. Still others challenged the fundamental wisdom of trying to implement a performance-based compensation system in the federal government.

Senior Managers

Senior intelligence component managers—SES, GS-15, or equivalent—who participated in Academy focus groups identified the following positive impact of DCIPS:

- The transparency of DCIPS compared with its predecessor systems. One participant said, "you can't hide in DCIPS" because all DoD intelligence components have consistent guidance and use the same bases for classifying jobs, establishing individual performance measures, and evaluating employee performance;
- A strong performance management system with emphasis on building sound evaluation metrics and a consistent approach to evaluations and rewards;
- A link among evaluations, pay, and mission outcomes;
- The prospect of placing the entire IC on the same footing—in other words, a common HR system and rules for pay and performance; and
- Flexibility in setting pay for new hires through pay banding.

Their concerns included the following:

- The time that supervisors, particularly those in front-line positions, needed to execute their performance management responsibilities. This was attributed partly to new evaluation requirements, but most concerns focused on overly complex and cumbersome administrative tools and processes. Several said this added burden required some supervisors with technical responsibilities to put them aside, with potential adverse effects on mission performance;

- Disincentives to become a supervisor because DCIPS imposes additional work requirements with no increase in compensation;
- The extent and nature of employees' negative reaction to DCIPS. One manager said, "We are intelligence officers and we were surprised at how the workforce reacted. We aren't supposed to be surprised"; and
- Concern that administrative positions in pay bands 1 and 2—which have a higher percentage of women and minorities than pay bands 3, 4, and 5—tend to receive lower average performance ratings than those in higher bands because the work is not so clearly linked to the mission.

Online Dialogue Participants

Participants in the Academy's online dialogue identified several areas of concern:

- A belief that DCIPS reduces promotion opportunities and career progression. Both DCIPS' complexities and the elimination of the GS grades and steps have resulted in the impression that career and salary progression are now harder to achieve. By design, DCIPS provides for fewer promotions and it is entirely possible for employees to spend most or all of their careers in a single pay band. Although salary progression may equal or exceed what the GS system provides for most employees, the reduced number of "milestone events," such as promotions to the next grade, seems to promote a negative view;
- Concern that DCIPS inhibits collaboration among employees. Although the performance elements on which all employees will be rated include an element on cooperation and collaboration, the emphasis on individual achievement and reward is seen as working against collaborative efforts: "DCIPS forces employees into contests for claiming credit. This is not good for teambuilding or productivity";
- A perception that morale is suffering. Said one, "The appraisal system associated with DCIPS is not a good motivator, and can be demoralizing." This perception has been compounded by the confusion resulting from the interim policies and procedures necessitated by the NDAA pause; and
- The amount of time spent on performance management is seen as excessive. Both managers and subordinate staff made this observation. One remarked, "As a first line supervisor, I had to conduct write-ups on 22 civilians—both performance objectives (4 on each employee) and elements (6 on each employee). Doing a total of 220 write-ups in two weeks was a nightmare!! Plus, I had to do my own assessment. I simply don't understand what this is supposed to accomplish."

Open Forum Participants

The perspectives of intelligence component employees vary broadly. However, several consistent themes emerged during the Academy open forums.

The first pertains to the impact of the new performance management system. There are concerns about the amount of time it requires, the adequacy of the specific performance elements used, and other system features. Nonetheless, there seems to be an understanding that it is the right thing to do and that it is intended to be an important vehicle for driving performance.

A second related theme is the importance and potential positive impact of linking performance at all levels to agency mission. Although there are concerns about how this may work in practice, there is little disagreement about whether it should be done.

The third theme is the advantage of transparency and consistency that DCIPS is intended to provide to intelligence components. These features are seen as helping to reduce job classification disparities among agencies, providing a similar basis for assessing performance, and providing a platform for future cooperation and collaboration. This is mitigated somewhat by opinions that DCIPS' predecessor system was in some ways more transparent, particularly with regard to employee evaluations.

Fourth, there were strong statements that implementation is having a major negative impact on the most critical level of management for this kind of transformation: front-line supervisors. New performance management requirements have a disproportionate impact on this group. They also expose weaknesses in the training provided in preparation for implementation and the potential management skills deficits in this cadre of leaders.

Negative comments were especially strong concerning the alleged "forced distribution" of ratings, i.e. the belief that ratings have been or will be forced into a normalized bell curve distribution, regardless of actual results based on a straightforward assessment of employee performance against established objectives. Many believe that there are limitations on the percentage of employees who may receive above average ratings or to save money by limiting the number who receive increases and bonuses.

The fifth DCIPS theme is the tension produced by a pay system focused heavily on individual achievement yet applied to organizations that rely on employee coordination and collaboration to produce mission-critical products. Component employees at all levels report that the focus on individual performance alone produces negative consequences for collaboration and cooperation.

Mock Pay Pools

Mock pay pool exercises are used to determine meaningful distinctions in performance and generate lessons learned for improving processes, ensuring consistency, and promoting fairness in payout decisions. Their results are not recorded for compensation purposes, but they can help refine business rules and processes for actual pay pool meetings at the end of the performance year. Mock pay pools are mandatory under DCIPS in the first year that pay pools are conducted for any intelligence component.

OUSD(I) conducted an analysis of DCIPS employees who were evaluated and had bonuses determined following the FY2009 performance cycle.[163] NGA was the only component whose

[163] Defense Civilian Intelligence Personnel System. 2009 Performance Evaluation and Payout Analysis. Hereafter

employees received performance ratings, salary increases, and bonuses under the methodology. Intelligence employees in DIA, NSA, the Navy, Marine Corps, and OUSD(I) received performance ratings and bonuses under DCIPS, but were precluded from receiving salary increases during NDAA-imposed interim period. For these agencies, this was a mock pay pool exercise and analysis. Air Force, Army, and DSS did not participate and were not included in the analysis.

Approximately 97.3 percent of DCIPS employees received a performance evaluation for the 2009 cycle, and 98.2 percent of those were eligible to receive a bonus.[164] Approximately 99.5 percent of rated employees received an evaluation of record of Successful or higher, meaning that almost all employees were eligible to receive performance bonuses and performance-based pay increases. In the mock pay pools, about 44 percent of employees would have received both a performance salary increase and performance bonus.[165] The remaining population was split between those who would have received a bonus but no salary increase (less than 1 percent) and vice versa (55 percent). Ratings rose with pay band, and supervisors rated higher in Pay Bands 3, 4, and 5 than did non-supervisors.

The analysis also showed that differences across pay pools complicated the investigation of performance ratings due to differences in work demands, the mix of jobs and experience, and the application of the common performance indicators and benchmarks in a local context. As with the separate analysis conducted by NGA, discussed below, this analysis could not determine whether variances in ratings assigned to employees in certain protected classes reflected legitimate performance differences, and thus this issue requires further review.

OUSD(I) DCIPS Survey Results

The preliminary results of the OUSD(I) DCIPS Survey present a mixed picture of DCIPS. Although employees overwhelmingly (81 percent) agreed or strongly agreed with the concept of performance-based compensation in principle,[166] far fewer agreed that their performance would be more effectively recognized under DCIPS than under GS (22 percent) or that career advancement opportunities would be greater (15 percent).[167]

There is much greater agreement that DCIPS allows employees to understand their performance objectives and how their work relates to organizational goals and priorities (78 percent).[168] Employees also agreed that their supervisors know and understand what they do (69 percent) and take an interest in their success (65 percent).[169] Fewer agreed that supervisors provide helpful explanations of the bases for ratings under DCIPS (53 percent), that ratings were fair (54

"2009 DCIPS Payout Analysis."
[164] DCIPS Payout Analysis.
[165] Ibid. DCIPS guidance is that, in order to ensure that bonus amounts are meaningful, no more than 50 percent of employees generally should receive a bonus.
[166] 2010 DCIPS Survey Preliminary Results, Question 10.. Response choices included "Strongly Disagree," "Disagree," "Neither Agree nor Disagree," "Agree," and "Strongly Agree."
[167] Ibid. Questions 11, 13.
[168] Ibid. Questions 49, 68.
[169] Ibid. Questions 58, 67

percent), or that feedback received from supervisors helps them achieve their performance objectives (36 percent).[170]

Relatively few employees agreed that DCIPS provides employees with adequate protections against unfair treatment (18 percent), or that the DCIPS performance management system contributes to improved accomplishment of the work unit's objectives (24 percent).[171] Only 16 percent agreed that DCIPS will improve performance within the organization or component over time while very few (10 percent) agreed that it will increase collaboration within their organizations.[172]

Although 45 percent of employees agreed that they understand the process by which DCIPS performance payout decisions are made, only 14 percent agreed that the use of pay pool panels and the pay decision tool contribute to increased fairness of pay decisions.[173] Few agreed that their individual base pay increase was appropriate based on payouts made to others in the pay pool (18 percent) or the organization (16 percent).[174]

Based on these survey results, it is clear that intelligence component employees accept the proposition that they should be rewarded commensurate with their performance. Yet there is widespread doubt that DCIPS, as implemented, will achieve that end. The extent to which these survey results are influenced by the NDAA pause and DCIPS Interim–rather than DCIPS itself—is unclear.

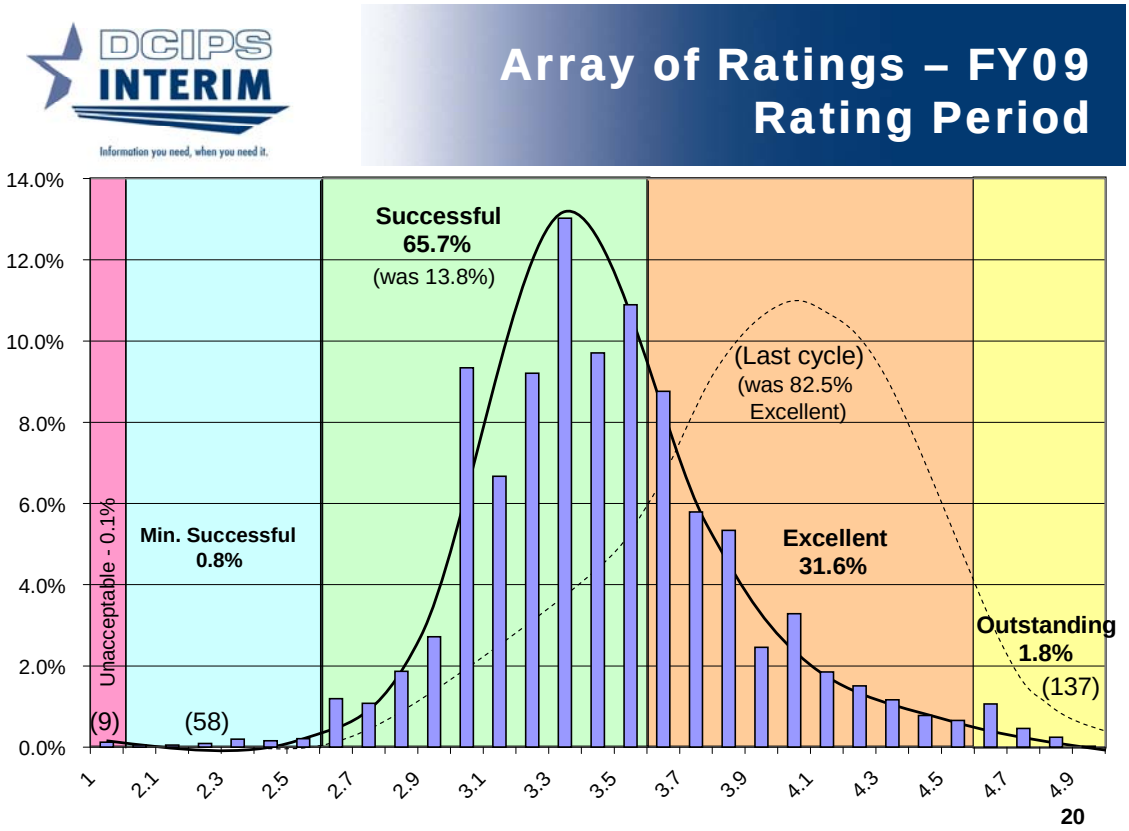
THE NGA EXPERIENCE TO DATE

NGA has more experience with performance-based compensation systems than any other DoD intelligence component. In developing DCIPS, OUSD(I) benchmarked and adopted the basic principles that NGA developed over the prior decade. In turn, NGA adopted the new design features built into DCIPS and became the first agency to put the new system into place in 2008. In terms of actual impact data, NGA's experiences and data elements are key points of reference.

A core DCIPS premise is that it will strengthen the long-term ability of the DoD intelligence components to achieve their missions. However, NGA has not collected data that could directly connect its personnel system to organizational performance. Its officials point to indirect measures indicating that performance measurement and employee perceptions have improved under the performance-based system; they suggest this will result in improved organizational performance over time. One example they cite is the significant reduction in the percentage of annual ratings that are Excellent or Outstanding that occurred following DCIPS implementation, illustrated in Figure 5.1.

[170] Ibid. Questions 61, 63, 64.
[171] Ibid. Questions 19, 69.
[172] Ibid. Question 80.
[173] Ibid. Questions 75, 76, 81.
[174] Ibid. Questions 77, 78.

Figure 5-1. DCIPS Interim Array of Ratings



The bold percentages in Figure 5-1 indicate that those rated Excellent fell from 82.5 percent before NGA began applying DCIPS to 31.6 percent afterward, and that those at the Successful level rose from 13.8 percent to 65.7 percent. Clearly, NGA's DCIPS evaluation system has moved the spread of ratings toward the Successful part of the ratings curve. NGA believes this is reflective of actual employee accomplishments.

At the same time, this shift in ratings does not mean that NGA employees fared less well in terms of compensation. The salary increase percentage remained the same as the previous year (2.37 percent), the bonus budget rose from 1.55 percent to 1.8 percent, and the percentage of the workforce receiving a bonus rose from 44 percent to 48.4 percent. The average amount also increased, from $2,933 to $3,212.

One potential negative impact of the ratings distribution is the reinforcement of employee perceptions that DCIPS will include forced distributions into a bell curve pattern regardless of actual performance. The figures also raise the question whether the performance evaluation portion of the pre-DCIPS performance-based compensation system had the real capability to make performance distinctions when, after almost a decade of performance-based compensation, so many NGA employees rated Excellent in 2008.

NGA officials also noted the positive impact of performance-based compensation as it relates to organizational culture change. They cite the results of a comparison of data from the 2008

Annual Employee Climate Survey and Federal Human Capital Survey, both conducted before NGA adopted DCIPS. In response to the statement, "In my work unit, differences in performance are recognized in a meaningful way," the results were the following:

- 44.1 percent of NGA employees agreed.
- 39.4 percent of employees at other IC agencies agreed.
- 31.0 percent of all federal employees agreed.

These data indicate a significant difference in employee perceptions among employees at NGA, those at other IC agencies, and the rest of the federal workforce. NGA believes this likely reflects its long-term experience with a performance-based management system.

However, this positive impact is offset somewhat by NGA employee responses to another statement in the same survey: "In my work unit, steps are taken to deal with a poor performer who cannot or will not improve:"

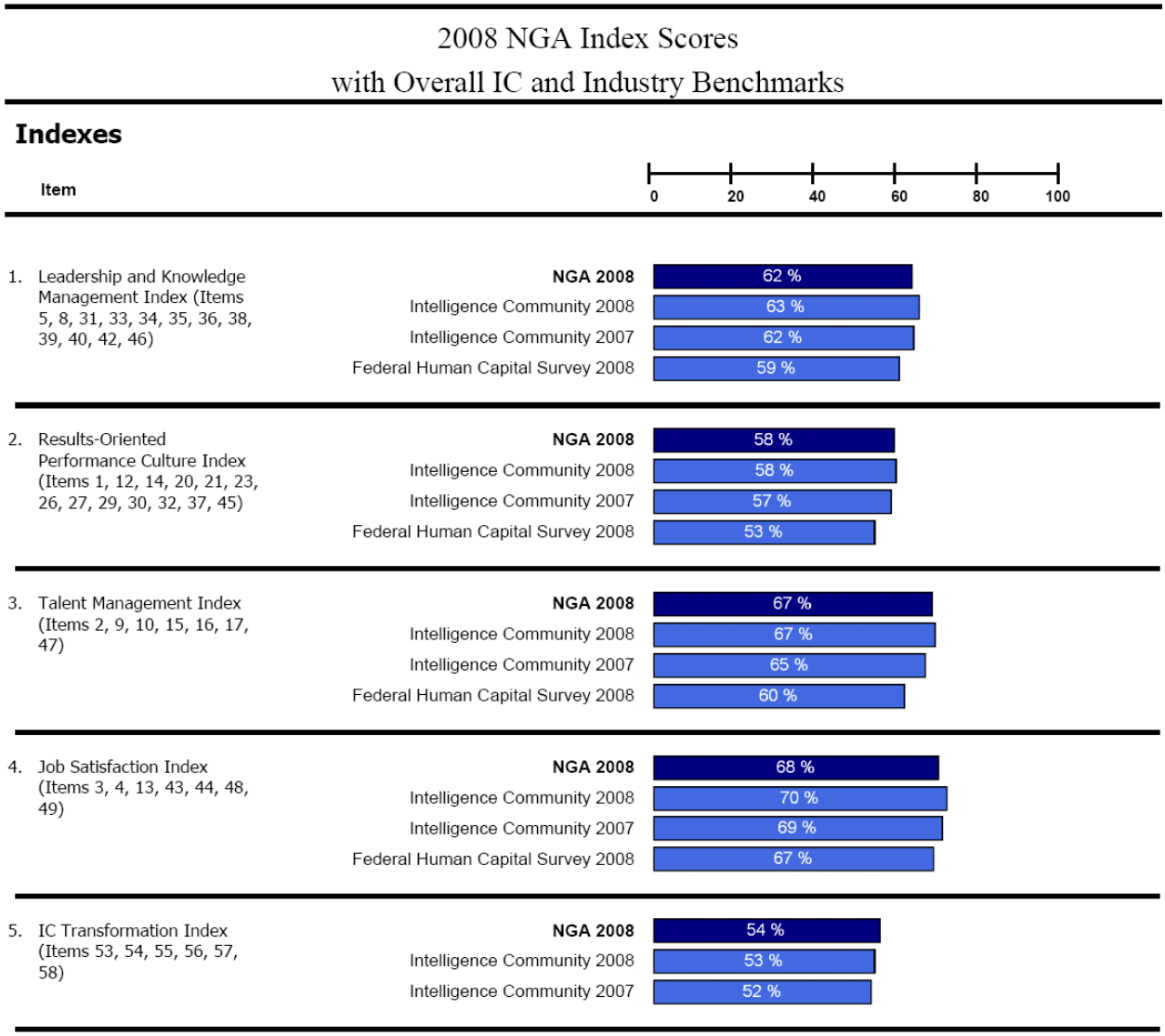
- 27.6 percent of NGA employees agreed.
- 30.1 percent of employees at IC agencies agreed.
- 30.0 percent of all federal employees agreed.

Thus, it appears that NGA may have done a better than average job in identifying differences in performance, but it has not done as well as other agencies in effectively dealing with poor performers.

Five key Federal Human Capital survey indices, shown in Table 5-1, indicate that NGA ranks somewhat better than other federal agencies in a variety of areas, but is no better than average when compared with other IC agencies.[175]

[175] Leadership and Knowledge Management; Results Oriented Performance Culture; Talent Management; Job Satisfaction; and IC Transformation (IC Agencies Only). Data provided by USD(I) Human Capital Management Office.

Table 5-1. NGA Indices and Comparative Results



Another significant area for examination is whether NGA's history with performance-based compensation has had a positive or negative impact on the careers of women and minorities. This area is identified by the ODNI's Strategic Human Capital Plan as one of five major challenges in building a strong HR program.[176]

NGA recently completed a comprehensive analysis of 2009 performance evaluations and payouts. It found no difference in mean ratings that represent adverse impact by gender, veteran status, or age group. In fact, women had a higher average rating in the aggregate than men. Within the race/ethnicity groups, however, the analysis concluded that the results for

[176] *Insufficient Diversity*. Although the U.S. civilian labor force was becoming more diverse, the IC reportedly was not keeping pace. From the ODNI Strategic Human Capital Plan.

"Black/African American" and "Two or More Races" and the "Targeted Disability" (less than one percent of the rated workforce) "merit expert analysis and attention."

The analysis concluded:

> As a group, the race/ethnicity indicator variables explained only 0.64 percent of the variance in performance ratings. However, the regression confirmed results obtained earlier in the report: individual rating differences are related to differences in median ratings by pay pool, supervisors and higher paid individuals tend to receive higher ratings, and employees in the Analysis & Production mission category tend to receive higher ratings than those in "support" categories, where racial/ethnic groups tend to be over-represented compared to their proportion of the overall population.[177] Further, statistically significant differences in ratings and performance payouts among protected groups are not equally evident across the entire NGA workforce; they tend to be clustered in pay bands 3 and 4.
>
> The regression points to the conclusion then that while median pay pool rating is the key indicator of a given individual's rating (and hence, performance payout), there is also an important interaction of several other factors, all relatively weak in and of themselves, but somewhat more powerful in collectively explaining the overall variance in performance ratings.

The NGA analysis reviewed prior year data and concluded that these results have "existed at NGA for at least the last few years before DCIPS implementation. [Thus], it is difficult to infer from the historic data that this is a new result under DCIPS." In essence, there are unexplained variances in ratings assigned to employees in certain protected classes. NGA plans to study these to determine whether they reflect legitimate performance differences.

CONCLUSIONS

OUSD(I) and the intelligence components, including NGA, are trying to introduce fundamental change to the way employees are evaluated, compensated, and progress through their careers. The creation and introduction of DCIPS have been approached with great seriousness, hard work, and creativity. The Academy Panel has been impressed both with the DCIPS system and the people who work within it.

As noted, determining DCIPS' impact is not possible at this time given the intelligence components' limited experience with the system. Supervisor and employee perceptions and the impact of DCIPS Interim provide a somewhat negative picture. And, the NGA experience does not provide clear evidence of potential impacts.

The Panel finds that there is nothing inherent in the DCIPS' design that would lead to negative impacts on career progression or diversity, but that it is too soon to determine the actual impacts

[177] This finding is similar to the findings resulting from the mock pay pools conducted by the other (non-NGA) DoD intelligence components.

of implementation. Nonetheless, OUSD(I) should address employee concerns prior to undertaking any further implementation efforts.

RECOMMENDATIONS

This report identifies unanswered questions and areas requiring further review prior to moving ahead with implementation. With that in mind, the Panel makes the following recommendations.

Recommendation 20. OUSD(I) should review the performance management system to make the system more effective and efficient for users. This includes reviewing the composition and usefulness of the DCIPS performance elements and the tools used to administer the system.

Recommendation 21. OUSD(I) should review the impact of DCIPS on teamwork, cooperation, and collaboration to determine whether greater emphasis should be placed on group objectives and rewards.

Recommendation 22. OUSD(I) should determine whether individual performance measures are linked to the agency's mission and accurately measure each job's essential elements.

Recommendation 23. OUSD(I) should determine the reasons that ratings tend to increase at each higher pay band.

Recommendation 24. OUSD(I) should further analyze NGA's 2009 performance evaluations and payouts to identify issues regarding protected classes that warrant further attention.

Recommendation 25. OUSD(I) should identify ways to compensate for employee attitudes about the loss of "milestone events" when transferring from a grade-based system to a pay-banded system.

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CHAPTER 6

THE WAY FORWARD FOR DCIPS

The DCIPS effort is designed to unify the DoD intelligence components under a single HR management system, further enhance the high quality of their workforce, and strengthen their ability to perform a vital mission. At the most fundamental level, however, it is about assisting in protecting U.S. national security interests. The importance of a robust personnel system to the ability of these organizations to defend the nation against terrorist attack, was highlighted by Lee Hamilton, former Congressman, Chairman of the House Permanent Select Committee on Intelligence and Vice Chairman of the 9/11 Commission, when he met with the Academy Panel to discuss DCIPS:

> [T]he necessity of defense against a terrorist attack is urgent. The threat is evolving, and there isn't any doubt in my mind that they want to cause disruption and death. Therefore, I think there is an urgency. First, you have a lot of very good people working on the problem. However, my answer is that urgency is very important and that can only come from top leaders. Second, I am a real radical on personnel systems. You need to have the authority to hire and fire. I served on the Hart-Rudman Commission; the ability to hire and fire is a national security matter….Third, you need to have incentives to produce preeminent analysts. The best tool in terrorism is intelligence. You need to have good collection of data. We have unbelievable capabilities in collecting data. The problem is analyzing and managing that data. There are overwhelming amounts of data….When you think about civilian personnel, I hope you are thinking about the importance of the analyst in driving the actions and the direction of the agency.

Because the intelligence mission is essential to the national security of the United States, the Panel agrees that DCIPS must be capable of attracting, retaining, and motivating the best people to contribute their best efforts. Based upon this review, the Panel understands the intended national security significance of DCIPS and believes the effort should proceed, but with conditions.

The Panel applauds the effort that the USD(I) has made to bring the DoD intelligence components closer together through the adoption of DCIPS. However, it is critical that this effort to alter a fundamental element of the culture of those components be managed very carefully. The attention of the workforce cannot be diverted from the performance of its mission to the composition of its compensation.

The Panel concludes that the *design* of DCIPS is fundamentally sound. Nonetheless, several major areas for further improvement are identified in this report. The *implementation* of the DCIPS design has been flawed for a number of reasons, and a significant number of recommendations for change and enhancement in that regard are also identified. Finally, it is too early to judge the actual *impact* of DCIPS, but the flaws in its implementation and the effects of

the NDAA pause have resulted in a confused and skeptical workforce that may not be adequately prepared for this system.

Based on its findings and conclusions, the Panel recommends that **DoD continue with implementation of DCIPS by phasing in its performance-based compensation elements at the remaining DoD intelligence components based on readiness-based assessments. Given the intended link between DCIPS and mission enhancement, OUSD(I) should pursue this approach with urgency, taking into account recommendations provided in Chapters 3, 4, and 5 of this report.**

Specifically, OUSD(I) should:

- **Complete and disseminate all DCIPS governing polices, with appropriate stakeholder input, as soon as possible, but no later than November 1, 2010.**

- **Develop formal change management and communications plans for transitioning the DoD intelligence components from the NDAA pause into a planned implementation schedule.**

- **Establish a Program Office within OUSD(I) that has overall responsibility to:**

    - **Complete and disseminate remaining policies.**
    - **Improve the quality and quantity of outreach to components on training, change management, and implementation.**
    - **Conduct a baseline assessment of the state of readiness for each DoD intelligence component.**
    - **Develop an implementation plan and schedule for achieving full implementation readiness in accordance with the change management plan.**
    - **Conduct oversight of DCIPS implementation activities, including adherence to the planned implementation schedule for full component adoption.**

- **Complete the analysis of the performance management and performance payout/bonus processes and identify appropriate follow-on actions, including communications to components that emphasize the prohibition against forced distributions of ratings.**

- **Develop mandatory, specific, and robust training regimens for DoD intelligence component supervisors and managers regarding their responsibilities under the DCIPS performance management process. Further, adopt Performance Objectives or Elements that make these supervisors and managers accountable for consistent and effective execution of those responsibilities, including diversity management that has meaningful development and advancement of a diverse workforce as its goal.**

All of these activities should be conducted in consultation and coordination with the Undersecretary of Defense for Personnel and Readiness.

OUSD(I) has advised the Panel that one or more DoD intelligence components, in addition to the National Geospatial Intelligence Agency (NGA), will be ready to implement performance-based compensation by 2011 and to execute full base and bonus payouts under DCIPS no later than January 2012. It also advises that the other components will be able to follow a similar phased schedule by approximately January 2012. These time frames should be the goals of the phased approach, but be subject to revision based on OUSD(I)'s evaluation of the readiness of the components and DCIPS to proceed to the next phase.

All DoD intelligence components should continue with DCIPS performance management and bonus payouts as they did this year, subject to refinements and improvements resulting from OUSD(I) implementation actions. NGA, which already has fully implemented DCIPS, should be excluded from the readiness-assessment-based schedule, but be subject to additional training and other process improvements recommended in this report and resulting from OUSD(I) implementation actions.

USD(I), OUSD(I), the DoD intelligence components, and the ODNI are working to introduce an important "new order of things." The design and implementation of DCIPS have been approached with great seriousness, hard work, and creativity, and the Panel believes that the system has the potential to meet its intended goals.

Prior to full adoption of the system, however, OUSD(I) must invest the time and energy needed to complete the implementation of DCIPS as designed and undertake a full-scale change management effort to reestablish workforce trust and support. The recommendations in this report are intended to assist in that effort.

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CHAPTER 7

PANEL RECOMMENDATIONS

Based on its findings and conclusions, the Panel makes the following recommendations.

DoD continue with implementation of DCIPS by phasing in its performance-based compensation elements at the remaining DoD intelligence components based on readiness-based assessments. Given the intended link between DCIPS and mission enhancement, OUSD(I) should pursue this approach with urgency, taking into account recommendations provided in Chapters 3, 4, and 5 of this report.

Specifically, OUSD(I) should:

- **Complete and disseminate all DCIPS governing polices, with appropriate stakeholder input, as soon as possible, but no later than November 1, 2010.**

- **Develop formal change management and communications plans for transitioning the DoD intelligence components from the NDAA pause into a planned implementation schedule.**

- **Establish a Program Office within OUSD(I) that has overall responsibility to:**

    - **Complete and disseminate remaining policies.**
    - **Improve the quality and quantity of outreach to components on training, change management, and implementation.**
    - **Conduct a baseline assessment of the state of readiness for each DoD intelligence component.**
    - **Develop an implementation plan and schedule for achieving full implementation readiness in accordance with the change management plan.**
    - **Conduct oversight of DCIPS implementation activities, including adherence to the planned implementation schedule for full component adoption.**

- **Complete the analysis of the performance management and performance payout/bonus processes and identify appropriate follow-on actions, including communications to components that emphasize the prohibition against forced distributions of ratings.**

- **Develop mandatory, specific, and robust training regimens for DoD intelligence component supervisors and managers regarding their responsibilities under the DCIPS performance management process. Further, adopt Performance Objectives or Elements that make these supervisors and managers accountable for consistent and effective execution of those responsibilities, including diversity management**

that has meaningful development and advancement of a diverse workforce as its goal.

All of these activities should be conducted in consultation and coordination with the Undersecretary of Defense for Personnel and Readiness.

OUSD(I) has advised the Panel that one or more DoD intelligence components, in addition to the National Geospatial Intelligence Agency (NGA), will be ready to implement performance-based compensation by 2011 and to execute full base and bonus payouts under DCIPS no later than January 2012. It also advises that the other components will be able to follow a similar phased schedule by approximately January 2012. These time frames should be the goals of the phased approach, but be subject to revision based on OUSD(I)'s evaluation of the readiness of the components and DCIPS to proceed to the next phase.

All DoD intelligence components should continue with DCIPS performance management and bonus payouts as they did this year, subject to refinements and improvements resulting from OUSD(I) implementation actions. NGA, which already has fully implemented DCIPS, should be excluded from the readiness-assessment-based schedule, but be subject to additional training and other process improvements recommended in this report and resulting from OUSD(I) implementation actions.

DCIPS' Design

Recommendation 1. OUSD(I) should move swiftly to finalize DCIPS' governing policies, disseminate them to the workforce, and widely communicate their content to improve transparency and ease of understanding.

Recommendation 2. OUSD(I) should review and assess models for measuring and rewarding team and organizational performance under DCIPS to ensure alignment with the IC's broad goals.

Recommendation 3. To achieve further internal equity, OUSD(I) should:

- **develop a method for providing salary enhancements to staff performing supervisory or managerial functions to ensure that they are recognized and rewarded for their performance in these critical roles.**

- **Review its policies regarding pay pool composition to ensure equitable treatment of similarly situated employees. This review should examine the policy for determining the size of pay pools and practice of assigning employees of different work categories to the same pay pool.**

Recommendation 4. To ensure equitable treatment of all employees, OUSD(I) should review the performance management system to:

- **Clarify and strengthen its guidance for developing performance objectives to ensure that managers and supervisors fully understand ways to develop appropriate objectives for all employees, including those in non-mission work categories.**

- **Refine and modify the impact of the performance elements to ensure that they permit meaningful and appropriate assessments of factors affecting overall performance.**

- **Adjust the performance standards for summary rating levels so that they permit the same performance assessments for all categories of work.**

Recommendation 5. OUSD(I) should review the description of the performance element titled "Engagement and Collaboration" to ensure that the national security objective of developing a collaborative community is adequately reflected.

Recommendation 6. OUSD(I) should finalize its evaluation policy and ensure that it defines a process for monitoring DCIPS' impact on salary increases, bonuses, and career progression of women, minorities, and other protected groups.

Recommendation 7. OUSD(I) should implement a process for reviewing external market conditions and achieving compensation comparability for those in DCIPS positions.

Recommendation 8. In accordance with the design principle regarding funding, OUSD(I) should explore alternative funding sources and methodologies to ensure that pay pools are adequately funded and provide meaningful payouts to all deserving employees.

Recommendation 9. To strengthen its system of internal checks and balances, OUSD(I) should develop a process to allow employees to obtain a formal review of pay band decisions when they believe their positions have been assigned to the wrong pay band and to appeal a performance evaluation.

<u>DCIPS' Implementation</u>

Recommendation 10. OUSD(I) should develop a comprehensive change management plan for proceeding with DCIPS implementation that takes the current climate into account, including the effects of earlier implementation efforts, the NDAA, and the Panel's recommendations.

Recommendation 11. OUSD(I) should move swiftly to finalize DCIPS governing policies, make them available to the workforce, and communicate them widely to improve transparency and ease of understanding.

Recommendation 12. OUSD(I) should concertedly communicate to the workforce that forced distributions and ratings quotas are prohibited by DCIPS guidance and violate DCIPS' design principles, and that steps are being taken to ensure that the practice does not occur.

Recommendation 13. The USD(I) should be more visibly engaged, set key implementation objectives for DoD intelligence component leaders, and meet with them regularly to hold them accountable for meeting those objectives.

Recommendation 14. OUSD(I) should develop a detailed communications plan and style guide as part of its overall change management efforts. This plan should address strategic communications about the overall DCIPS system and implementation, as well as an approach for tactical communications about status, updates, and other fluid aspects of implementation.

Recommendation 15. As part of the overall change management effort, OUSD(I) should develop a thorough training plan and specific instructions aimed at first-line supervisors and managers to equip them with the personnel management skills needed to fully implement and maintain DCIPS.

Recommendation 16. OUSD(I) should immediately streamline performance management and evaluation processes and automated tools to lessen the administrative burden on first-line supervisors and managers.

Recommendation 17. OUSD(I) should establish a program management office, with the requisite staffing, resources, and authority to design and implement a comprehensive change management strategy and provide adequate oversight of DoD intelligence component implementation.

Recommendation 18. OUSD(I) should make the DCIPS Readiness Tool and website more user-friendly and interactive in order to meet the information resource needs of their intended audiences through timely, accurate, and updated information.

Recommendation 19. OUSD(I) should employ best practices for stakeholder involvement and develop guidance for gathering and considering continual employee feedback.

DCIPS' Impact

Recommendation 20. OUSD(I) should review the performance management system to make the system more effective and efficient for users. This includes reviewing the composition and usefulness of the DCIPS performance elements and the tools used to administer the system.

Recommendation 21. OUSD(I) should review the impact of DCIPS on teamwork, cooperation, and collaboration to determine whether greater emphasis should be placed on group objectives and rewards.

Recommendation 22. OUSD(I) should determine whether individual performance measures are linked to the agency's mission and accurately measure each job's essential elements.

Recommendation 23. OUSD(I) should determine the reasons that ratings tend to increase at each higher pay band.

Recommendation 24. OUSD(I) should further analyze NGA's 2009 performance evaluations and payouts to identify issues regarding protected classes that warrant further attention.

Recommendation 25. OUSD(I) should identify ways to compensate for employee attitudes about the loss of "milestone events" when transferring from a grade-based system to a pay-banded system.

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APPENDIX A
PANEL AND STAFF

PANEL

Dr. Edwin Dorn, *Chair*[*]**—**Professor and former Dean, Lyndon B. Johnson School of Public Affairs, University of Texas. Former Under Secretary of Defense for Personnel and Readiness, and Assistant Secretary of Defense for Personnel and Readiness, U.S. Department of Defense; Senior Staff Member, Center for Public Policy Education, The Brookings Institution; Deputy Director of Research, Joint Center for Political Studies; Director of Executive Operations, Office of Elementary and Secondary Education, U.S. Department of Education; Special Assistant to the Secretary, U.S. Department of Health, Education and Welfare.

Dan G. Blair[*]**—**Commissioner, Postal Regulatory Commission, U.S. Postal Service. Former positions with the U.S. Office of Personnel Management: Deputy Director and Acting Director. Former Senior Counsel to U.S. Senator Fred Thompson, Senate Committee on Government Affairs; Staff Director, House Subcommittee on the Postal Service; Minority General Counsel, House Committee on Post Office and Civil Service.

Diane M. Disney[*]**—**Professor of Management, former Dean of Commonwealth College, and former Chancellor of the School of Graduate Professional Studies, Pennsylvania State University; Deputy Assistant Secretary of Defense (Civilian Personnel Policy), U.S. Department of Defense. Former positions with the University of Rhode Island: Management Faculty to Associate Professor; Director, Research Center in Business Economics; Principal Investigator, Rhode Island 2000 Labor Market Research Projects. Former Adjunct Faculty and Manager, Ford Foundation Project on Employer Benefits and the Future of the Social Protection Program, Heller School, Brandeis University; Rhode Island Research Associate, The Urban Institute.

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Kip Hawley[*]**—**Administrator, Transportation Security Administration, Department of Homeland Security. Former Independent Consultant; Executive Vice President, Corporate Development, Arzoon, Inc.; Senior Advisor to the Secretary, U.S. Department of Transportation; Executive Vice President, Corporate Development, Arzoon, Inc.; Independent Consultant/Investor; President and Chief Executive Officer, Skyway Freight Systems. Former positions with Union Pacific Railroad Company: Vice President, Re-Engineering/VP

[*] *Academy Fellow*

Transportation Services and Vice President, External Affairs. Former Vice President/Chief of Staff, Mid-Atlantic Region, Citicorp Mortgage, Inc.; Special Assistant to the President/Deputy Assistant to the President, Office of Intergovernmental Affairs, Executive Office of the President; Deputy Assistant Secretary/Executive Director of Governmental Affairs, U.S. Department of Transportation.

Leo Hazlewood—Corporate Vice President and Director for Intelligence Programs in the Space, Intelligence and Information Sector, Science Applications International Corporation (SAIC); Senior Vice President and General Manager of the Mission Integration Business Unit in SAIC's Intelligence, Security and Technology Group; Director of Shared Services in SAIC's new Shared Services Center in Oak Ridge, TN; Former positions with the CIA: Deputy Director of the National Geospatial-Intelligence Agency; Comptroller; Director, National Photographic Interpretation Center (NPIC) Executive Director; and Deputy Director for Administration.

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Michael G. Massiah*—Director, Management and Budget Department and Director, Office of Organizational Effectiveness and Change Management, The Port Authority of New York and New Jersey. Former positions with The Port Authority of New York and New Jersey: Director and Deputy Director, Human Resources Department; Director, Office of Business and Job Opportunity.

PROJECT STAFF

Lena E. Trudeau, *Vice President*—Ms. Trudeau leads the National Academy's service delivery organization, supervises the conception and execution of strategic initiatives, opens new lines of business and drives organizational change. Ms. Trudeau is a founder of the Collaboration Project, an independent forum of leaders committed to leveraging web 2.0 and the benefits of collaborative technology to solve government's complex problems. Ms. Trudeau's previous roles include: Program Area Director, National Academy of Public Administration, Vice President, The Ambit Group; Marketing Manager, Nokia Enterprise Solutions; Principal Consultant, Touchstone Consulting Group; Consultant, Adventis Inc.; and Associate, Mitchell Madison Group.

Rick Cinquegrana, *Program Area Director, Project Director*—National Academy of Public Administration. Former Legal Counsel and Special Counsel to the Inspector General, Office of Inspector General, Central Intelligence Agency; Deputy Staff Director/Chief Investigative Counsel, Joint Senate Select Committee on Intelligence-House Permanent Select Committee on Intelligence Inquiry Into September 11, United States Congress; Special Counsel for Policy, Intelligence Community Management Staff; Chief Counsel, National Commission to Review the Performance of the National Reconnaissance Office; Chief Investigative Counsel, House Select

Committee on U.S. National Security and Military/Commercial Concerns with the People's Republic of China, United States House of Representatives; Deputy Inspector General for Investigations, Office of Inspector General, Central Intelligence Agency; Deputy Counsel for Intelligence Policy, Office of Intelligence Policy, U.S. Department of Justice; Assistant General Counsel, CIA Office of General Counsel; Associate Attorney, Private Practice; Intelligence Analyst/Career Trainee, Central Intelligence Agency.

Darlene F. Haywood, *Deputy Project Director*—Former Human Resources Consultant, Department of Homeland Security; Former positions with the Department of Commerce: Chief, Strategic Workforce Management Group, International Trade Administration; Commerce Demonstration Project Manager; Commerce Classification Program Manager. Ms. Haywood has more than 34 years as a Federal human resources management professional.

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William McCarty, *Senior Advisor*—Thirty three years of experience in the Federal Government with 20 years of service supporting the US Intelligence Community with Senior Executive and management positions, including National Geospatial-Intelligence Agency (NGA) Deputy Director of Acquisition and Contracts and Central Intelligence Agency: Chief, Acquisition Policy and Legislative Issues Team and Chief of Staff, Office of Finance and Logistics, and Chief of Staff, Facilities Management Group.

Tara Newman, *Research Associate*—Project staff member for Academy studies: Defense Civilian Intelligence Personnel System (DCIPS) Review; Immediate Past Research Associate for Academy FBI Transformation Budget Process Review Project; Intern at New York University's Medical Center Office of Development; Masters of Public Administration, American University; B.A. in English, B.S. in Marketing, University of Tampa.

Martha S. Ditmeyer, *Senior Program Associate*—Staff member providing technical support for a wide range of Academy studies. Former staff positions at the Massachusetts Institute of Technology, Cambridge, MA and the Communication Satellite Corporation, Washington D. C. and Geneva, Switzerland.

APPENDIX B
PARTICIPATING INDIVIDUALS AND ORGANIZATIONS*

Interviewees

David Archibald—*Performance Management and Compensation Director,* MITRE

Lisa Bender –*VP and Chief Human Resources Officer,* MITRE

Francine Blockmon—*Deputy Strategic Human Capital Director,* National Reconnaissance Office

Deborah Bonanni—*Chief of Staff,* National Security Agency

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Eileen Corrigan—*Deputy Director, IC Pay Modernization Project Office; Deputy Program Executive Officer, National Intelligence Civilian Compensation Program;* Office of the Director of National Intelligence

Melissa Drisko—*Deputy Director for Intelligence,* Navy Intelligence

Ken Dumm—*Director of Intelligence,* Air Force Intelligence

James Faust—*Deputy Chief of Staff for Intelligence,* Army Intelligence

Tom Ferguson—*Deputy Under Secretary of Defense for Intelligence,* Office of the Under Secretary of Defense (Intelligence)

Richard Fravel—*Chief Operating Officer,* National Geospatial-Intelligence Agency

Neil Greene—*Deputy Chief, Intelligence, Surveillance, and Reconnaissance,* Air Force Intelligence

Charles Grimes—*Deputy Associate Director of Employee Services,* Office of Personnel Management

Elizabeth Hoag—*Deputy Director for Human Resources,* Office of the Under Secretary of Defense (Intelligence), Human Capital Management Office

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Liona Maluzzi—*Chief Operations Officer,* National Geospatial-Intelligence Agency

Honorable Sylvestre Reyes—*Chairman,* House Permanent Select Committee on Intelligence

Paula Roberts—*Chief Human Capital Officer,* Office of the Director of National Intelligence

Lloyd Rowland—*Deputy Director,* National Geospatial-Intelligence Agency

Ronald Sanders*—Former *Associate Director of National Intelligence for Human Capital;* Office of the Director of National Intelligence

James M. Seacord—*Deputy Director for Readiness,* Office of the Under Secretary of Defense (Intelligence), Human Capital Management Office

Brigadier General Vincent Stewart—*Director of Intelligence,* United States Marine Corp Intelligence

Kristi Waschull—*Director of Human Capital Management,* Office of the Under Secretary of Defense (Intelligence)

Kathy Watson—*Director,* Defense Security Service

Kelli Fitzpatrick—*Senior Advisor Congressional Activities,* Office of the Under Secretary of Defense (Intelligence)

Kip Hawley*—Former *Director,* Transportation Security Administration

Michael McManus—*Senior Compensation Analyst,* National Geospatial-Intelligence Agency

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David Chu*—*Senior Fellow,* RAND

Jennifer Daniel—*Director, Human Capital Directorate,* National Geospatial-Intelligence Agency

Richard Fravel—*Chief Operating Officer,* National Geospatial-Intelligence Agency

Hon. Lee Hamilton*—*President and Director,* Woodrow Wilson International Center for Scholars

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* Academy Fellow

Michael Jackson*—*President and Founder,* Firebreak Partners

Ronald Sanders*—Former *Human Capital Intelligence Community, Associate Director of National Intelligence,* Office of the Director of National Intelligence

Colloquia Participants

Melissa Allen*—*Executive Advisor,* Booz Allen Hamilton

Ronald Sanders*—Former *Human Capital Intelligence Community, Associate Director of National Intelligence;* Office of the Director of National Intelligence

Dan Blair*—Academy Fellow, DCIPS Panel Member

Rudy DeLeon—*Vice President National Security,* Center for American Progress

Edwin Dorn*—Academy Fellow, DCIPS Panel Chair

John Hanson—Former *Personnel Demonstration Project Manager,* National Oceanic and Atmospheric Administration

Doris Hausser*—Former *Senior Policy Director, Assistant Director of Workforce Compensation and Performance,* Office of Personnel Management

Nancy Kichak—*Associate Director f Human Resource Policy,* Office of Personnel Management

Nancy Kingsbury*—*Director of Applied Research Methods,* Government Accountability Ofiice

Michael Massiah*—Academy Fellow, DCIPS Panel Member

Myra Howze Shiplett—*President,* Randolph Morgan Consulting

Hannah Sistare*—Former *Vice President of Academy Affairs,* National Academy of Public Administration

John Crum—*Director, Policy and Evaluation,* US Merit Systems Protection Board

Diane Disney*—Academy Fellow, DCIPS Panel Member

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Rosslyn Kleeman*—*Chair,* Coalition for Effective Change

Nanci Langley*—*Commissioner*, US Postal Regulatory Commission

Kristine Marcy*—*Associate*, McConnell International

Gregg Pane*—Former *Director*, Department of Health and Human Services

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Robert Tobias*—*Director*, Public Sector Executive Education American University

Congressional Committees

House Armed Services Committee
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John Chapla—*Professional Staff Member*

House Permanent Select Committee on Intelligence
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Senate Armed Services Committee
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Diana Tabler—*Professional Staff Member*

Senate Select Committee on Intelligence
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Peggy Evans—*Professional Staff Member*
Don Stone—*Professional Staff Member*

Senior Management and Human Resources Focus Groups

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Yolanda Watson, Chief, Intelligence Personnel Management Office

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Ed Mornston, Director, Joint Intelligence Task Force-Combating Terrorism
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Office of the Director of National Intelligence

Eileen Corrigan, Deputy Director, IC Pay Modernization Project Office Deputy Program Executive Officer, National Intelligence Civilian Compensation Program (NICCP)
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Tim Clayton, Director, Human Capital Management Office

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APPENDIX C
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APPENDIX D
MERIT SYSTEMS PRINCIPLES
AND PROHIBITED PERSONNEL PRACTICES

Merit Systems Principles

Section 2301 of title 5 of the U.S. Code applies to executive agencies and requires federal personnel management to be implemented consistent with the following merit systems principles.

(1) Recruitment should be from qualified individuals from appropriate sources in an endeavor to achieve a work force from all segments of society; and selection and advancement should be determined solely on the basis of relative ability, knowledge and skills, after fair and open competition which assures that all receive equal opportunity.

(2) All employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition, and with proper regard for their privacy and constitutional rights.

(3) Equal pay should be provided for work of equal value, with appropriate consideration of both national and local rates paid by employers in the private sector, and appropriate incentives and recognition should be provided for excellence in performance.

(4) All employees should maintain high standards of integrity, conduct, and concern for the public interest.

(5) The Federal workforce should be used efficiently and effectively.

(6) Employees should be retained on the basis of adequacy of their performance, inadequate performance should be corrected, and employees should be separated who cannot or will not improve their performance to meet required standards.

(7) Employees should be provided effective education and training in cases in which such education and training would result in better organizational and individual performance.

(8) Employees should be—

(A) protected against arbitrary action, personal favoritism, or coercion for partisan political purposes, and

(B) prohibited from using their official authority or influence for the purpose of interfering with or affecting the result of an election or a nomination for election.

(9) Employees should be protected against reprisal for the lawful disclosure of information which the employees reasonably believe evidences--

(A) a violation of any law, rule, or regulation, or

(B) mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety.

Prohibited Personnel Practices

The Prohibited Personnel Practices are derived from the Merit System Principles. 5 USC 2302(b) says that any employee who has the authority to take, direct others to take, recommend, or approve any personnel action shall not, with respect to that authority, commit any of the 12 Prohibited Personnel Practices.

(1) Discriminate for or against any employee or applicant on the basis of race, color, religion, sex, national origin, age, handicapping condition, marital status, or political affiliation.

(2) Solicit or consider any personnel recommendation that is not based on a personal knowledge or records of job-related factors such as performance, ability, aptitude, general qualifications, character, loyalty, or suitability.

(3) Coerce the political activity of any person or take reprisal action for the refusal of any person to engage in political activity.

(4) Deceiving or deliberately obstructing any person’s right to compete for employment.

(5) Influencing any person to withdraw from competition for any position for the purpose of improving or injuring the prospects of another applicant.

(6) Granting any preference or advantage not authorized by law, rule, or regulation to any employee or applicant for the purpose of improving or injuring the prospects of another applicant.

(7) Hiring, promoting, advancing, or influencing the hiring, promotion, or advancement of a relative (nepotism).

(8) Retaliating against an employee for whistleblowing activity.

(9) Retaliating against employees or applicants for filing an appeal, grievance, or complaint or for cooperating with the IG or Special Counsel, or for refusing to obey an order that would require them to violate the law.

(10) Discriminating against an employee or applicant based on off-duty conduct which does not adversely affect the performance of the employee or applicant or the performance of others.

(11) Knowingly violate veterans' preference requirements.

(12) Violating any law, rule, or regulation which implements or directly concerns the merit system principles.

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APPENDIX E
DCIPS PERFORMANCE APPRAISAL FORM

DEFENSE CIVILIAN INTELLIGENCE PERSONNEL SYSTEM (DCIPS)
PERFORMANCE APPRAISAL

EMPLOYEE NAME: _____ **APPRAISAL YEAR:**_____

PRIVACY ACT STATEMENT

AUTHORITY: 10 U.S.C. 1601-1603; and E.O. 9397.
PRINCIPAL PURPOSE(S): This form will be completed by employees, rating officials, and higher level reviewers to document the performance objectives, and midpoint, closeout, and annual assessment requirements of the Defense Civilian Intelligence Personnel System.
ROUTINE USE(S): The DoD "Blanket Routine Uses" set forth at the beginning of OSD's compilation of system of records notices apply.
DISCLOSURE: Voluntary.

INSTRUCTIONS FOR COMPLETION OF DCIPS PERFORMANCE APPRAISAL FORM

Cover Sheet: Enter the employee's name (last, first, middle initial) and the evaluation period (year portion of the evaluation period end date).

PART A - Administrative Data.
1. Employee Name: Name of the employee (last, first, middle initial).
2. Social Security Number: Enter last 4 digits of the SSN.
3. Position Title: Enter the title of the employee's position as of the evaluation period start date.
4. Pay Schedule/Occupational Series/Pay Band: Enter the employee's pay schedule, occupational code, and pay band as of the evaluation period start date.
5. Organization: Enter the name of the employee's organization.
6. Duty Station: Enter the duty station where the employee works.
7. Pay Pool ID: Enter the employee's pay pool identification number.
8. Evaluation Period: Enter the start date and the end date of the evaluation period. Typically this is the evaluation cycle start and end date; however, these dates can vary.
9. Evaluation Effective Date: This is the effective date of the closeout, closeout-early annual, or annual evaluation of record.
10. Plan Last Modified: Date the plan was last modified.

PART B - Performance Evaluation Documentation.
To be completed by all parties as appropriate to document the establishment of performance objectives, midpoint review, closeout assessment, and evaluation of record as required. This information will auto-populate when the form is generated from the Performance Appraisal Application (PAA).

PART C - Relevant Organizational Mission/Strategic Goals.
Organizational Mission and Strategic Goals as they apply to an employee's performance.

PART D - **Evaluation of Record Summary.**
Rating computations are based on performance elements and performance objectives, which may be weighted according to policy in effect for the corresponding evaluation period.

PART E - **Performance Elements.**
Complete this section to document performance elements and the corresponding employee and rating official assessments. This page should be duplicated for each of the six standard performance elements. When completing an assessment, mark (X) in the box to indicate the type of assessment (e.g., midpoint, closeout, or annual). When multiple assessments are given during the year (e.g., midpoint assessment and evaluation of record), duplicate each element page for each new type of assessment. Only one type of assessment should be documented on each page.

PART F - **Performance Objectives.**
Complete this section to document performance objectives and the corresponding employee and rating official assessments. This page should be duplicated for each performance objective and type of assessment. When completing an assessment, mark (X) in the box to indicate the type of assessment (e.g., midpoint, closeout, or annual). When multiple assessments are given during the year (e.g., midpoint assessment and evaluation of record), duplicate each objective page for each new type of assessment. Only one type of assessment should be documented on each

DEFENSE CIVILIAN INTELLIGENCE PERSONNEL SYSTEM (DCIPS)
PERFORMANCE APPRAISAL
(Please read Privacy Act Statement and Instructions before completing this form.)

PART A - ADMINISTRATIVE DATA

1. EMPLOYEE NAME *(Last, First, Middle Initial)*		**2. SOCIAL SECURITY NUMBER** *(Last 4 digits)* XXX-XX-
3. POSITION TITLE		**4. PAY SCHEDULE/OCCUPATIONAL SERIES/PAY BAND**
5. ORGANIZATION		**6. DUTY STATION**
7. PAY POOL ID		
8. EVALUATION PERIOD	a. START DATE *(YYYYMMDD)*	b. END DATE *(YYYYMMDD)*
9. EVALUATION EFFECTIVE DATE *(YYYYMMDD)*		**10. PLAN LAST MODIFIED** *(YYYYMMDD)*

PART B – PERFORMANCE EVALUATION DOCUMENTATION

	PERFORMANCE PLAN	**MIDPOINT REVIEW**	**EVALUATION OF RECORD** ☐ **Closeout-Early Annual**	**CLOSEOUT (other than early annual)**
EMPLOYEE: *Signature:*				
Date (YYYYMMDD)				
RATING OFFICIAL *Printed Name:*				
Signature:				
Date: (YYYYMMDD)				
Communication Method *(face-to face, telephone, other)*				
REVIEWING OFFICIAL: *Printed Name:*				
Signature:				
Date: (YYYYMMDD)				

EMPLOYEE NAME: _____ **APPRAISAL YEAR:** _____

PART C - RELEVANT ORGANIZATIONAL MISSION/STRATEGIC GOALS (Limited to 1400 characters)

PART D – EVALUATION OF RECORD SUMMARY

SECTION 1 - Performance Elements

PERFORMANCE ELEMENT	PERFORMANCE ELEMENT RATING *(1 – 5)*
Accountability for Results	
Communication	
Critical Thinking	
Engagement and Collaboration	
Personal Leadership and Integrity (non-supervisory)	
Technical Expertise (non-supervisory)	
Leadership (supervisors)	
Managerial Proficiency (supervisors)	
AVERAGE PERFORMANCE ELEMENT RATING	

SECTION 2 - Performance Objectives (PAA provides for a maximum of 10 performance objectives)

PERFORMANCE OBJECTIVE	TITLE	PERFORMANCE OBJECTIVE RATING *(1 – 5 or NR if not rated)*
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
	AVERAGE PERFORMANCE OBJECTIVE RATING	

SECTION 3 - Performance Evaluation of Record

Average Performance Element Rating		
Average Performance Objective Rating		
Overall Rating		
Evaluation of Record		

EMPLOYEE NAME: _____ **APPRAISAL YEAR:** _____

PART E - PERFORMANCE ELEMENTS

PERFORMANCE ELEMENT:

TYPE OF ASSESSMENT:	☐ MIDPOINT REVIEW ☐ EVALUATION OF RECORD (including Closeout-Early Annual) ☐ CLOSEOUT (other than Early Annual)

EMPLOYEE SELF-ASSESSMENT (Limited to 2,000 characters)

RATING OFFICIAL ASSESSMENT (Limited to 2,000 characters)

Copy ____ of ____

EMPLOYEE NAME: _____ **APPRAISAL YEAR:** _____

PART F - PERFORMANCE OBJECTIVES

PERFORMANCE OBJECTIVE NO.	**TITLE:**	**LAST MODIFIED ON:** *(YYYYMMDD)*

PERFORMANCE OBJECTIVE (Limited to 1,000 characters)

TYPE OF ASSESSMENT:	☐ MIDPOINT REVIEW ☐ EVALUATION OF RECORD (including Closeout-Early Annual) ☐ CLOSEOUT (other than Early Annual)

EMPLOYEE SELF-ASSESSMENT (Limited to 2,000 characters)

RATING OFFICIAL ASSESSMENT (Limited to 2,000 characters)

Copy ____ of ____

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APPENDIX F
OPEN FORUM LOCATIONS, DATES, AND ATTENDANCE

Date	Agency	Location	Estimated Attendance
March 22, 2010	NSA	Fort Meade	250
March 23, 2010	Air Force	Pentagon	8
March 24, 2010	OUSD(I)	Pentagon	40-50
March 25, 2010	NRO	Chantilly	80-100*
March 26, 2010	NGA	Bethesda	30*
March 30, 2010	Army	Fort Belvoir	120
March 30, 2010	Navy	Navy Annex	12
March 31, 2010	USMC	Quantico	40-50
April 1, 2010	DIA	Bolling AFB	150*
April 1, 2010	DSS	Arlington	15
April 5, 2010	Navy	Suitland	60
April 15, 2010	Army	Fort Meade	75-100

***** Remote users also participated but could not always be counted.

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APPENDIX G
MITRE'S PERFORMANCE-BASED COMPENSATION SYSTEM

An Example of Equitable Treatment[2]

Since 1996, MITRE has used a merit-based compensation system that ties individual performance to pay. The system is viewed as a success for the following reasons:

- Since the system was implemented, MITRE has scored in the top 25 percent of Fortune 500 companies on a survey that asks employees if they are paid fairly; and
- MITRE's attrition rate is very low.[3]

"Near Broad Bands." MITRE groups its employees into six basic job levels, similar to pay bands, with each job level having a 100 percent spread from top to bottom. Pay bands have four quartiles, or "sections." Movement within the bands is based on performance, but MITRE's system does not rely on the principle of moving most employees toward the middle of the band. Rather, pay corresponds to the employee's value to the organization and how rapidly employees are building capabilities to better serve the organization.

Rating Process. MITRE rates its employees on a three-level scale. Top performers are rated at Level 1; successful performers are rated at Level 2; and employees who need improvement are rated at Level 3. Within this three-level rating scale, most employees are rated at Level 2, with the possibility of "refining" the rating, e.g., 2+ or 2-. Like DCIPS, individual employee objectives are set at the beginning of the year so that employees know what is expected of them. When ratings are completed at the end of the year, a group of managers across the organization come together to normalize the ratings and identify the top 10 percent of performers, as well as the next top 10 percent, so that the top 20 percent are agreed upon by all senior managers. It is agreed by managers, and understood by all employees, that this top 20 percent of performers will receive noticeably higher pay increases.

Salary Review/Merit Increase. At MITRE, as is true under DCIPS, the performance rating process is completed before payouts are considered. After the ratings are finalized, managers use the "Merit Matrix" to guide the decision-making process to determine merit increases. The Matrix lists a range of percentages for each section (quartile) of the band to be used as a guideline. The Matrix promotes the concept that larger pay increases should be given to the best performers, but payouts are funded at higher levels for employees who are "low to market." This means that the budget is larger to fund pay increases for those employees who are new to the organization and who are more likely to be recruited by other organizations. Transparency is a key feature of the system, and the employee's "personal budget" and the Merit Matrix are

[2] MITRE Information Infrastructure.
[3] As reported in an interview with MITRE's compensation expert.

available to all employees as soon as managers have communicated increases to their employees. Managers find the range of guideline percentages by locating the intersection of the employee's fiscal year-end Guide Position (the salary's position in the upcoming year's pay guide) and the rating. Although there is no specific incentive for managers or supervisors, it is understood that managers will command higher salaries over time. Table G-1 provides a sample Merit Matrix.

Table G-1. MITRE Merit Matrix

Rating	Guide Position			
	Quartile 1	Quartile 2	Quartile 3	Quartile 4
1	9%-11%	6%-8%	5%-7%	4%-6%
2	4%-6%	3%-5%	1%-3%	0%or 2%
3	0%	0%	0%	0%

Full implementation of the merit pay aspects of its HR system reportedly required about five years.[4] MITRE's experience supports the conclusion that a performance-based compensation system like DCIPS cannot be successfully implemented in one or two years. OUSD(I) will likely need at least five years to adjust the design so that employees and managers understand and accept how DCIPS provides equity for all affected employees. MITRE's experience also further confirms that transparency in the payout process is a critical element of success.

[4] Ibid.