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20AssNPSP-004 Michael Dominguez

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Q: Statement of purpose: The purpose of this interview is to record your experience with the evolution of the National Security Personnel System. A transcript of the interview will be preserved as a permanent NSPS record, and may be used as a source material for DOD histories of NSPS. Today is Friday, August 1, 2008. My name is Randy Richardson, and I'm assigned to the Air Force Air Staff History Office. This afternoon, we are visiting with Mr. Michael Dominguez, current Under Secretary of Defense for Personnel and Readiness. Mr. Dominguez served as Assistant Secretary of the Air Force for Manpower and Reserve Affairs from August 2001 through July 2006, and was acting Secretary of the Air Force from July 2005 to July 2006. Good afternoon, Mr. Dominguez. If we could, I'd like to start out this afternoon by asking if you'd discuss your background and the management experience you brought to bear on the process of developing a new personnel system for the Department of Defense.

A: OK. All right, I have been in many different places within the DOD. The assignment I had when NSPS evolved was as the Assistant Secretary of the Air Force for Manpower and Reserve Affairs, so I had this personal policy portfolio.

But I had previously worked in various civil service assignments where I had seen acquisition programs being formed and structured, and in the programming process where you try and squish lots of program requirements into the limited resources you have. I think why I'm bringing that up is that one of the innovations that I think was added in -- and I may have contributed some measure to that -- was the concept of establishing a Program Executive Officer to manage this program like an acquisition program, and for establishing what we began calling an Operational Requirements Document, an ORD, which -- again, these are taken right out of the acquisition playbook. But those things came about as part of our collaboration with the Deputy Secretary, at the time, who was the Secretary of the Navy, in thinking about structuring the National Security Personnel System development and design business. The second thing that I think, in terms of my background, I have a Masters in Business Administration. I've been in ops research positions and those kind of things, and this system that we were building was a tool to support leaders in the transformation of the department toward a culture of performance, a culture of results, a culture of achievement of concrete, tangible objectives as opposed to the conduct of activity: we did this last year, we're going to do this

next year, we'll do this in ten years. So that's kind of the legacy culture of we just do activity, right? And NSPS is about achieving results, so specific, tangible outcomes for our organization, and then aligning the people up to that. And I think my background helped me perceive that as a significant leadership challenge, transformational challenge for the department for its culture globally, and not that this is just a new civilian personnel management system. So I was one of the people who was most vocal about senior leadership and command. Chain of command has to be involved in this. This is about changing how the organization behaves, specifying goals for the organization, et cetera. So I was a big advocate for bringing in Flag Officers -- again, this is DOD's National Security Personnel System -- so that means Flag Officers had to be involved. So those are some things that I think contributed, and I was in some small way a part of moving us in those directions.

Q: Yes sir, great. On 29 August 2005, you were appointed co-chair by the NSPS Overarching, Integrated Product Team.

A: Right.

Q: What responsibilities did this entail?

A: OK. In that role, I was -- first, my formal, official

    position at that point was still as Assistant Secretary of

    the Navy -- excuse me, the Air Force. And when I was

    appointed to fill that co-chair role, that was a joint

    responsibility. So first thing I had to do was step up

    into and think of this as a DOD-wide activity. My partner

    as co-chair was an officer from the Office of Personnel

    Management. All right, so now we're in an interagency

    forum. But our principle responsibility was to oversee the

    design of the National Security Personnel System in a way

    that met the objective of that Operational Requirements

    Document I talked to you about earlier. So we were the

    policy officials that chaired that OIPT, which was a forum

    for quickly raising and resolving choices that we had to

    confront in terms of design, reaching interagency agreement

    on what the design features would be, or if we couldn't

    agree there, rapidly escalating to the NSPS senior

    executive. So we did get decisions made rapidly, consensus

    established rapidly, and we could move forward on this very

    accelerated design, development, deployment schedule and

    get NSPS up and operating.

Q: Great. In January of 2006, the OIPT approved a Spiral 1.1

    implementation plan. What information, technology, and

    other considerations shaped the development of the spiral?

A: The thing that shaped, that had the most significant impact

on the shape of the spirals was actually our assessment of

how much we could handle. As I said, this theory extends

way, way beyond -- NSPS extends way beyond just the

deployment of a new civilian personnel management system.

Fundamentally, it was about organizational change, and

therefore the leaders of those organizations had to have

their heads in the game. If they had delegated this to

their civilian personnel office, then it was going to fail

because the most essential prerequisite for success of a

National Security Personnel System as a Human Resource

Management System is a set of clear, compelling,

motivational goals enunciated by the senior leader of an

organization about what that organization has to achieve in

the months and years in front of it. So if you didn't have

that, if you didn't have a clear, concrete, powerful

statement of goals and a plan that then rolled down into

objectives for subparts of the organization, then there was

nothing to which NSPS could attach. So the dominant

consideration in the selection of NSPS was organizational

readiness and organizational leadership. So Spiral 1.1 was

a handpicked group of people because they had leaders who

were passionate about the change, eager for the challenge,

and ready to pioneer a new way of thinking and a new way of

managing in the Department of Defense. So it was a

handpicked crowd. Spirals 1.2 and 1.3 then kind of

basically tried to widen that circle out some more. Our IT

support, which ordinarily would have factored largely into

decision, didn't for a number of reasons. The first is

that in the preceding December, the OIPT made a huge change

too, the design of the Performance Evaluation System that

the PEO had come up with. She had built a system that was

presented to OIPT and we realized it was not powerfully

enough connected to mission and to mission outcomes, and so

we caused a major redesign of the Performance Evaluation

System right there kind of over the holiday season. There

was no way IT could keep up with that and keep deployment

on schedule, and so because we had this handpicked crowd of

leaders, we figured it was a risk worth taking and we

launched with the new Performance Evaluation System but

without the IT support for it.

So the second thing that we had to think about in terms of

spirals and designing the spirals was that -- the

companion to the NSPS Performance Management System was a

labor system, a new labor relations structure for the

department. Because NSPS opens up so much of personnel

management, so many things become subjective that before were rigidly dictated in this very structured civil service system. So much of that now is subject to alignment against organizational outcomes that a leader wants to achieve that we had to design a labor system that fit with that kind of unstructured, unfettered management environment. The labor system we designed was challenged in court, and so while it was being challenged in court and viewed with some skepticism by the Congress, we couldn't deploy NSPS to people covered and represented by organized labor. All right, so in terms of structuring Spirals 1.1, 1.2, 1.3, we had to try and achieve as much as we could toward everybody in an organization being the same personnel system without bringing in people that were in organized labor and having people work side by side under vastly different reward, incentive, and personnel management systems. So that really affected how we designed and shaped Spirals 1.2 and 1.3.

Q: OK, great. Please discuss the performance management design options that you presented to Deputy Secretary Gordon England in January 2006. Which option was selected and how was it arrived at?

A: OK, this is that major change that I just mentioned. Here's what happened. In the classic civilian personnel business, we go out and we validate the factors that are important in someone's job. This is what the PEO did guided by the civilian personnelists who were advising her. They did a major study and said, "OK, in a survey of jobs across the DOD, what are the factors that are important?" And so they came back with things like leadership, coalition building, resource management. So across the workforce, there was broad consensus that in fact this series of seven or eight things were the important things to success in jobs. And so she designed a personnel system, or a Performance Evaluation System, that said, "OK, in a pay for performance system, how well you do on those factors is how we're going to evaluate you and reward you." So if you had excellent leadership and excellent resource management and, the rest, you'd score high. When that was presented to the OIPT, we rejected it. We rejected it because there was no mission. Those were functions, those were activities, and there was no outcome specified. What we directed was a redesign of the Performance Evaluation System that focused on, "did you get the job done?" When we established your plan at the beginning of the year, you said you were going to do "X." Did you get the job done?

And that job that you were going to get done had to also be
tied to the organization's mission. "Did I get the job
done" is the dominant feature of the Performance Evaluation
System. At no time did anybody on the OIPT recommend
taking to Deputy Secretary England a Performance Evaluation
System that did not have that strong mission outcome-based
approach, because it would not fly. Just getting the job
done alone is not sufficient. You also have to do it
competently, and you have to do it with finesse, and you
have to have managed resources well, and you have to have
led well, and so that's where we used those factors that
the PEO had validated as contributors. So as I recall,
what we brought to the Deputy Secretary was alternative
ways of using those contributing factors to weigh, along
with the mission, to get to an outcome and an ultimate
score in the NSPS.

Q: On 28 February 2006, the OIPT authorized OSD Council Helen
Sullivan to ask the Justice Department to proceed with an
appeal of the previous day's US District Court ruling on
AFGE via Rumsfeld. What were the issues in this case?
What effect did it have on NSPS implementation?

A: Let's start with the effect. The effect was huge in that
we could not proceed with deployment of NSPS to people who

were covered in bargaining units, and to date we have not

deployed NSPS to people who are covered in organized labor

bargaining units. So the effect of that court decision was

huge. And basically, as I had explained earlier, we had to

redesign a system of relating to organized labor in a way

that matched the enormous degree of flexibility that was

included into the human resource management system, and

that would subordinate itself to achievement of the

national security mission. All right? So you have

enormous flexibilities to align with your personnel

management and your personnel management decisions with the

organizational mission because of the national security

imperative. I mean, that's the thinking, the fundamental

premise, of NSPS. So then you had to design a labor

relations system that also could be held subordinate, in

terms of the interests it pursued, to the national

security. Right? I mean, that interest had to trump

everything. So the mission outcomes had to trump

everything, and so the labor relation system had to then

yield in certain areas and be constrained in going into

other areas in that vastly flexible system. Now, we did

not -- to my memory -- reduce labor's role, you know, from

what it currently is. We did constrain it in the system we

designed from going into areas where there was this vastly

flexible human resource system, because again of the national security imperative and what we were doing was trying to design a labor system that would map to that system and both would connect to the national security. The big victory for us in the court ruling was we in fact had been given license by the Congress to redesign the labor system, because that was part of the case. The unions argued that we couldn't and we had to use the existing statutory framework and regulatory framework. The second thing we won that in fact the process we had used to redesign that labor system was in fact the one specified by the Congress. It was meet and confer, and then consultation -- I'm not getting these right. But we had been given a mechanism to use that was different than bargaining at each bargaining unit. OK, we won those two things that the unions had challenged. Basically we lost everything else. So the Court basically concluded that "yes, the Congress has allowed you to redesign the labor system, but they ask you to do it in such a way that, you know, collective bargaining rights and et cetera were still protected, and this ain't it, and so throw out the content." Procedurally you're OK, but I don't like this content. So obviously we appealed that ruling because really it was a subjective determination by the judge that

yes, you were authorized to go and design one, but I don't like your design. The Appeals Court upheld our view. But that's moot, because the Congress acted in the intervening period. Why this was actually really important was again, because we can't deploy NSPS to organized labor until we get this straight. But more important, in the NSPS statute there's a sunset provision that says, you know, that unless we certify that this system works and protects bargaining rights and the Congress acts to extend it, the labor relations provisions of NSPS expire. Right? So we had to get it deployed, we had to get it deployed to people covered in unions, so that we could demonstrate that it would work, and then ask the Congress, you know, to extend the time horizon, or the labor provisions just revert back to the prior law. So that was the circumstance we found ourselves in.

Q: According to an April 13, 2006 memo from PEO Mary Lacy (sp?) to Secretary England, the Spiral 1.1 employee population dropped from 70,000 to 11,000, and you've already touched on this, sir, my apologizes. But if you care to add anymore, why the reduction and which groups of DOD employees were converted into NSPS during the Spiral 1.1 phase?

A: OK. Substantively, I can't tell you which ones. Why?
That was a pretty significant drop. I'm trying to remember
why it dropped. You know, it may be a combination of
things, and you'll have to check with other people's memory
on this. For sure, we decided to scale back in order to do
a tight shot group of people that we knew were
transformation ready. The leaders' heads were in the game,
the senior executive servants in the organization were
ready to go. And so we had a core group of passionate
pioneers. We may have had to scale it back also because of
this, the labor stuff. I don't remember now, anymore, but
we may have had to redesign the whole 1.1 because we
couldn't bring in whole units. The idea would be you bring
in a whole organization into NSPS so the whole team was on
the same system, aligned with the organization's mission.
OK, we couldn't do that, so major organizations who were
ready to go -- Air Force Material Command, Tinker Air Force
Base, you had to drop most of the workforce who are
organized in bargaining units and just go with a small set
of the non-union member leadership teams. So my memory is
that that's probably what happened there.

Q: On that same question, sir, how were the Spiral 1.1
organizations selected? You've already touched on that.

What did the organizations have to do to prepare to convert to NSPS?

A: Train, train, train. Because you know, there are so many skills that one needs in terms of being a leader and a manager, that NSPS demands, that we don't have to use in the classic civil service system. This issue of compelling organizational goals that people can then align their own performance too and define what they have to do in order to achieve those goals, that is not what we do in the civil service; instead, what we do is activity. We describe the functions that the office performs, and that's what people's position descriptions say, and pretty much that's what their performance plans say. This is a whole different way of thinking. So the first thing you had to do was create that plan, and a vision of what the organization was going to achieve, and that those things had to be rolled down in different organizational plans. So everybody had to know what their part in achieving this greater organizational good. Then you had to have lots of training about, "Well, then how do I then translate that into a personal performance plan? How do I do that? How do I set a goal for myself that reflects the salary that I am making -- my market worth -- but that doesn't put me out there, you know, where it's too risky of a stretch goal and

I can't get there? And how do I write goals like that,
that can be evaluated, anyhow?" All right, so just
creating those things and sitting down managers and the
people that they lead, sitting down together and working
through those conversations, then writing those things up.
We needed training in having those conversations. Then we
needed training in understanding, big picture, how this
system works. This is scary. It would be scary even if it
wasn't connected to money, but this is how you get paid in
NSPS so it's deeply scary. Oh, by the way, now for the
first time, I'm actually going to be measured in my
performance relative to other people. Well, that's even
more scary, right, because if you come out at the end of
the pile, what's that say? All right, so there had to be
lots and lots of training about how the system would work
and how it would affect you, and then how you align your
goals to this, and how you set goals that are appropriate
to how much you're being paid and therefore what you ought
to be able to achieve, how you deal with those contributing
factors in and around the mission. So it was an enormous
cultural change. So a lot of training, a lot of command
involvement of leaders to help people get through the
scariness of this kind of a transformation.

Q: What type of problems developed during the initial

     conversion process? Were the employees being converted

     adequately trained -- and you just touched on that, sir.

     Were the managers involved in implementing the new system

     sufficiently trained?

A: Yeah. Spiral 1.1 is a case study in how to do it right.

     There's a bunch of people from different public service

     schools, they should get down here and write that all up.

     Because first, none of that could have happened, without

     the extraordinarily engaged command, leadership, from the

     uniformed military involved in those organizations that

     were going. That was huge. As was Deputy Secretary

     England's personal involvement in it, personal appearances,

     huge investment of his personal leadership time visibly

     into this conversion. The same with military department

     secretaries and chiefs. Again, the handpicked

     organizations to go through it. So there's so much about

     1.1 that was superb, and in fact it was superb that when

     our IT backbone for NSPS -- and by that I'm meaning the IT

     to help in goal-setting and documenting goal-setting, and

     doing performance evaluation, and figuring out where you

     are and how many people you've awarded fives to and fours

     and threes, and therefore what the share values were--was

     broken, but these people were so NSPS-ready, you know, they

bowled through the inadequate IT. So in that case, IT became the irritant as opposed to the enabler. But in Spiral 1.1, you had such passionate champions that they bowled through that. They accepted it, they accepted it as a cost of being on the leading edge, and moved through. Huge tribute to the leaders involved in those organizations. You know, you can't say enough good about what they did and how they did it. And then for Mary Lacy and the PEO staff and the training program they put together and delivered, and so it was done like an engineer by an engineer. That was Mary Lacy. So she's also well-deserving of all the recognition she received, because that was masterfully, masterfully done.

Q: In the broadest terms, how has NSPS improved the Defense Department?

A: In the broadest terms, it is enabling us to move toward a culture of performance. So it's set up conversations about our missions, and about the results we're going to achieve. It helps motivate people; "this is worth getting up for, because you're going to go accomplish something and you know what you're working for and you're fighting for, and you see how it connects to bigger things." So that's one of the things that NSPS has done. Every organization

that's touched by NSPS now has a new way of thinking and a

way of communicating with each other and talking, from

leader to led. But the second thing NSPS has done is weld

us together by virtue of the collaboration that we have had

to work through challenge. Every military service and

military department, the fourth estate, we had to all be in

this thing together to figure out how to design it, then

how to deploy it, then how to support the deployment, then

correct from the problems and adapt and stay all together,

fight through the issues in the Court staying all together,

talking to each other all the time. Next, we've begun to

lay the foundation for thinking of ourselves as a national

service, a global security service as civilians belonging

to this bigger, global enterprise, able to move -- so

because of the agility in NSPS, it's easy now for me to

move across town, across country to a new position. So our

civilian personnel managers have started talking to each

other and so they know each other, and so the barriers are

down in talking about personnel management functions, and

the system now enables movement of people across the

enterprise. And there's now NSPS employees over there on

the West Coast and NSPS employees on the East Coast, and

you can move people back and forth, and now we're seeing

ourselves as geographic or office unlimited: "I got hired

into a national service that has a global footprint, and I

can go anywhere in that service anytime." So I think

that's huge. It's set us up for that conversation, so

we're poised to go in that direction. The next thing is

that there's a whole bunch of different skills now going

into our leaders as a virtue of this talking about

performance, and the managing for results, and setting

goals. So we're beginning to grow a generation of leaders

with a whole different set of skills that I think are

skills that are going to be necessary to lead in the

turbulent 21st Century. So I'm pretty excited about that.

Q: Yes sir, absolutely. Just in wrapping up, sir, and I see

our time is coming to a close here, but just would like to

ask if you have any other thoughts or comments about NSPS

that you might care to add to our discussion?

A: Here's the thing. What we haven't talked about is the

false start. NSPS almost died in its first months after

birth, and it almost died because it was, in my opinion, it

was an OSD-run enterprise, so the people here at corporate

headquarters were going to design it and issue it, and the

military services were going to just implement it. No

partnership, no teamwork, no deep understanding of the

complexity of this, no real appreciation for the nature of

the transformational change involved, et cetera, et cetera, et cetera. Big, big change like that can be conceived of by a small group that are at corporate headquarters. It cannot be implemented without a serious effort at building a partnership and giving equity stake and a sense of control to the organizations that will have to live with the system that's developed and deployed. So that's why what happened is it stopped. We went through the strategic pause. That's when we went back out to the field and brought people back to help design NSPS that's when we started writing the ORD. And the ORD was being written by the people in the components and we actually went out of the personnel community and got line managers, "Come in and tell me what you want to have in a personnel system." The strategic pause and the work we did in developing the ORD and in building widespread participation in its creation is what caused it to survive.

(background comment; inaudible)

End - NPSP-004 Michael Dominguez