

FOUR

Issues of Organization and Change Management

The process of transforming President Bush's foreign aid has highlighted the challenges of undertaking major policy and organizational reforms in the public sector—challenges that are relevant to the further initiatives in U.S. foreign aid that must come in the future.

Issues of Organization

The creation or emergence of three new sources of bilateral aid—the Millennium Challenge Corporation (MCC), the President's Emergency Plan for AIDS Response (PEPFAR), and the Department of Defense (DoD)—have added to the fragmentation of the aid system within the U.S. government. Whereas there was one main bilateral development aid agency in the past, there are now two major aid agencies managing bilateral aid—MCC and the U.S. Agency for International Development (USAID), which has integrated its planning and budgeting with the Department of State. And with DoD's growing economic assistance, perhaps a third is in the making. In addition, one very large bilateral aid program—PEPFAR—is headquartered in the State Department. More than twenty small aid programs are located in other U.S. government agencies. And the Department of the Treasury has responsibilities for U.S. contributions to the international financial institutions. Each of these programs and agencies has valuable and distinct missions, but many overlap with one another, creating the real possibility—indeed, the inevitability—of duplication, conflict,

waste, confused leadership, and lost synergies. And the integration of planning and budgeting of USAID and the Department of State raises the possibility that at some point the mission of State—larger, more powerful, and more driven by short-term crises—will overwhelm the longer-term mission of the smaller, less powerful USAID.

The current organizational chaos is surely costly and unsustainable. What alternatives are there to reordering these agencies and programs to reduce the organizational chaos and exploit potential synergies? This question has four parts: (1) Which aid programs and agencies could be combined or separated? (2) What alternatives are there for locating them in the bureaucratic pecking order: as part of an existing federal department? As a subcabinet-level development agency? As a new cabinet-level department? (3) How can coordination problems among agencies and programs that work on similar issues or operate in the same countries be managed? (4) And what are the political costs associated with alternative organizational models? This latter issue cannot be ignored in any discussion of organizational change in the public sector.

How Should Foreign Aid Be Organized?

The first item to consider in bringing greater order to the current chaotic system is which aid programs should be located together, and, behind that question, what criteria should be used to decide on co-location or separation? In the past, various government commissions have typically recommended grouping government programs with similar purposes or functions into common departments and agencies for maximum efficiencies and effectiveness. For example, in 1949 the Commission on the Organization of the Executive Branch of Government (also known as the Hoover Commission, from Herbert Hoover, its chair) observed, “There are too many separate agencies, several of which are not combined in accordance with their major purpose. . . . The numerous agencies of the executive branch must be grouped into departments as nearly as possible by major purposes in order to give a coherent mission to each department.”¹ Many scholars of public administration have echoed these views.² The notion, drawn from architecture, that form should follow function (or purpose in the case of public policies) has been challenged, but as yet no other basic criterion for organizing government has emerged.³

But the notion of function or purpose is used in different ways in current debates involving the organization of foreign aid and U.S. affairs agencies generally. For some, mainly in the foreign policy community, purpose is seen as the promotion of U.S. foreign policy generally. They further argue that policies and programs (including foreign aid) should be aligned and organized appropriately to further this purpose. In organizational terms, they tend to favor integrating foreign aid programs to the maximum extent possible within the Department of State.

Others—this author among them—argue that this concept of purpose is too broad to be the basis of organizational decisions; that “U.S. foreign policy” includes a variety of discrete objectives that are ends in themselves, some of which can conflict with others, and that these distinct objectives or purposes require separate organizations for their effective realization. For example, a core purpose within the broad category of furthering U.S. foreign policy is managing bilateral relations with other governments. Another important purpose is promoting development in poor countries. The first tends to involve primarily government-to-government relations, to have a short-term focus, and often to involve dealing with crises in relations with other governments. The second typically involves an array of civil society and other nongovernmental organizations as well as government ministries and has necessarily a long-term horizon needed to bring about beneficial change in another society.

These two imperatives can conflict when the imperatives of managing a short-term crisis require aid resources to bolster a U.S. negotiating posture—for example, as a *quid pro quo*; to signal approval or disapproval of another government’s actions; to provide access to key policymakers in another government; or just to ensure friendly relations. These imperatives can draw aid resources out of development work and at times undercut that work—for instance, when aid to corrupt or incompetent governments reduces their incentives to undertake painful but needed economic or political reforms. It has long been believed by development practitioners as well as by experienced U.S. diplomats, for example, that the large amount of U.S. aid to Egypt over an extended period of time has reduced the incentives for that government to reform its state-directed economy.⁴ Where there are potentially significant conflicts between two programs with distinct but different aims—even though at the broadest level they serve the same long-term objectives—there is an argument for ensuring they are

separately administered; at the same time, mechanisms should be put in place to ensure effective coordination between the two.

Another criterion for organizational decisions involves the nature of the tasks performed by professionals. Where the knowledge, skills, and experience required to undertake core organizational tasks differ substantially, separate personnel systems and a separate organization may be necessary. Again, in the case of foreign aid, the tasks of program management—planning, procuring needed services, providing oversight, and evaluating aid expenditures—are fundamentally different from the tasks of a foreign affairs ministry, which typically involve reporting, analysis, negotiation, and representation. (The recent debacle over the State Department oversight of contracts with Blackwater Security Services in Iraq is a mistake easily made by an agency not experienced in large-scale program management.) Professionals in these two areas of diplomacy and development cannot easily be substituted for one another—a fact recognized by most aid-giving governments that typically maintain distinct personnel systems for diplomatic and development professionals (see box 4-1).

It is important to revisit here a related organizational consideration touched on in chapter 2—the relationship between policies determining the *allocation of the aid* to individual countries (by which is meant rules or guidelines determining which countries receive aid and how much they receive) and guidelines and rules governing the *use and implementation of aid funding*—for example, for education, health, economic reform, agriculture, as well as procurement, field supervision, and evaluation of these uses. Where the primary purpose of the allocation of aid to countries is diplomatic, but the implementation of that aid is linked to development goals, it is possible to separate policy from implementation and place them in separate agencies as some of the governments in box 4-1 have done. This has, in effect, been the arrangement in the United States with Economic Support Funds (ESF) and the Andean Counter-drug Initiative over the past several decades: State takes the lead in deciding which countries get the aid funding and how much they get, usually based on foreign policy goals such as peace making in the Middle East or persuading Andean governments to suppress the production of coca, and USAID takes the lead in determining how the aid is spent and implements those decisions. Dividing policy from implementation is not an ideal organizational arrangement—the learning that comes from the practical experience of implementation often can be

BOX 4-1 . Aid Policy and Implementation in Other Governments

The government of **Japan** locates aid allocation policy in the Ministry of Foreign Affairs with implementation undertaken by two separate aid agencies (Japan Bank for International Cooperation and Japan International Cooperation Agency, now in the process of merging into one implementing agency).

The **German** government locates development policy in the Ministry of Development with implementation also undertaken by two aid agencies.

The government of the **United Kingdom** combines all of its aid programs as well as policy and implementation responsibilities in one place—the Department for International Development.

The **French** government has a subcabinet-level aid agency (Agence Française de Développement) that takes policy guidance from the Ministries of Finance and Foreign Affairs and manages much of French aid.

Some governments, like those of **Denmark** and the **Netherlands**, fully merge their aid and foreign affairs functions. It is worth noting that promoting development is often the major diplomatic interest of these governments in most poor countries

For more details on the aid programs and organization of individual donor governments, see the series of peer reviews of aid activities of members of the Development Assistance Committee of the Organization for Economic Cooperation and Development (www.oecd.org).

absent from policy decisions, risking the overall effectiveness of the effort. But where there are several major purposes driving individual country aid programs, there may be no better alternative.⁵

If it is accepted that in the U.S. government it makes sense to have a separate agency dedicated to using aid for development, which programs should be located there? Box 4-2 lists the major programs in U.S. aid-giving at present. If we combine those aid accounts that have as their primary goals the overlapping purposes of providing relief, encouraging development, and addressing global issues, those with asterisks would be co-located into a rationalized development agency. Aid for international organizations and programs, now located primarily in the Department of State, represents voluntary U.S. contributions, mainly to United Nations organizations. Where those organizations' main work is in relief or development, like the UN Development Program or the UN Children's

BOX 4-2. Major U.S. Aid Accounts: Policy and Implementation Responsibilities

Development Assistance (USAID)*
 Child Survival and Global Health (USAID)*
 P.L. 480 Food Aid (Titles II and III) (Agriculture/USAID)*
 Assistance for Eastern Europe and the Baltic States (State/USAID)*
 Assistance for the Independent States of the Former Soviet Union
 (State/USAID)*
 Migration and Refugee Assistance (State/USAID)*
 Global HIV/AIDS Initiative (State-PEPFAR/USAID, other agencies)*
 International Organizations and Programs (State/USAID, other agencies/
 implementation by international organizations)*
 Millennium Challenge Account (Millennium Challenge Corporation)*
 Multilateral Aid (Treasury Department; implementation by international
 financial institutions)*
 Department of Defense Aid (DoD)
 Economic Support Fund (State/USAID)
 Andean Counter-drug Initiative (State/USAID)

*Policymaking/implementing agency (or agencies) in parentheses.

Emergency Fund (UNICEF), responsibility for these contributions should be located in the aid agency. Multilateral aid programs include the World Bank, the Asian Development Bank, the Inter-American Development Bank, the African Development Bank and Fund, and a number of smaller international development programs. These are all part of a U.S. effort to give aid for development through international financial institutions; it makes sense to co-locate responsibilities for them with other aid programs, as a number of other governments do. Policy responsibility for assistance for continuing transitions in former Soviet bloc countries (including country allocation and use of aid) should also be shifted to a development agency since most of those countries still receiving aid are among the poorer ones in Eastern Europe and in the former Soviet Union and much of what the aid finances corresponds to what is done in poorer countries in other parts of the world.

Finally, it is important that a development agency should not just manage aid but also have a voice in U.S. government policies and programs

related to those purposes. Trade, finance (including debt relief), and investment are good examples. A development agency should have expertise and a degree of involvement (though not the lead) in these other aspects of international development if it is to be effective abroad and influential at home. This, again, is a practice evident in other governments, as in the United Kingdom and Germany.

Policy responsibilities for ESF (with its purpose clarified as primarily supporting U.S. diplomatic and security goals abroad) and the Andean Counter-drug Initiative would remain in the Department of State. The case of DoD economic assistance may be similar to the relationship of ESF in the Department of State to a development agency. If DoD moves forward in providing aid to help stabilize poor countries in Africa and elsewhere or to finance good works outside of combat zones, the implementation of these efforts can be undertaken by the development agency that has the professional expertise and the programming systems to do so. It may make sense for DoD to allocate aid monies to help stabilize fragile states (once we have a settled policy on who they are and how to help them), but it is questionable whether Defense should set up its own aid program with all the planning, implementation, evaluation, and coordination with other U.S. government agencies that such a program implies.

This effort to imagine a rationalized organization of major U.S. programs promoting development has left out the many smaller aid programs—often involving the funding of technical advice to foreign governments—operated by most U.S. government departments. The departments and agencies with smaller aid programs as of 2005 are listed in box 4-3. In an ideal organizational world, those programs of the agencies listed here that could reasonably be considered as having a primary purpose of relief and development and global issues would also be included in a rationalized development agency.

Location within the Bureaucracy

The location of a program or agency determines its authority, its role, its influence, and its status. Clearly, cabinet-level agencies, which report directly to the president, have the greatest authority and influence. They do not take orders from other cabinet-level agencies, and irresolvable disputes

BOX 4-3. U.S. Government Agencies with Foreign Aid Programs

African Development Foundation

Department of Agriculture

Agricultural Research Service (ARS)

Animal and Plant Health Inspection Service (APHIS)

Cooperative State Research Education and Extension Service (CSREES)

Foreign Agricultural Service (FAS)

Forest Service (FS)

Department of Commerce

U.S. Patent and Trademark Office (PTO)

Commercial Law Development Program (CLDP)

International Trade Administration (ITA)

National Institute of Standards and Technology (NIST)

National Oceanic and Atmospheric Administration (NOAA)

Department of Energy

Department of Health and Human Services

Centers for Disease Control and Prevention

Department of Homeland Security

U.S. Customs and Border Protection

Department of the Interior

Compact of Free Association

U.S. Fish and Wildlife Service

Department of Justice

Department of Labor

Department of Transportation

Environmental Protection Agency

Export-Import Bank

Federal Trade Commission

Inter-American Foundation

National Endowment for Democracy

Overseas Private Investment Corporation

Peace Corps

U.S. Trade and Development Agency

Source: USAID, *Overseas Loans and Grants* (<http://quesdb.usaid.gov/gbk/USG%20organizatons.html> [August 2007]).

between such agencies are typically mediated by the president. Federal departments typically have lead policy, programmatic, and budgetary authorities over their core areas of responsibility; they can convene other parts of the government on their issues; they are accountable to Congress for their areas of policy responsibility, and they represent the U.S. government on those policy issues at home and abroad. They can usually fend off efforts by other agencies to influence or control their budgets and policies.

Where subcabinet-level agencies are accountable to cabinet-level agencies, they may not have a clear lead in their core areas of responsibility, and they may lack effective convening power and authority to coordinate other agencies' policies in those areas. Indeed, at times, they may not even be invited to the table where discussions among cabinet agency representatives are taking place on relevant issues. (Excluding agencies from important interagency meetings is an old game in Washington; it is a lot easier to do when subcabinet agencies are involved.) Subcabinet-level organizations will typically have control over their budget and personnel systems, though where they report to a cabinet-level agency, they may have to negotiate their budget with that agency. They will have some political space to maneuver among more powerful government agencies that might wish to influence or control their policies and budgets.

There are three options for organizing U.S. foreign aid and, in particular, development aid. The major programs focusing primarily on humanitarian relief and the promotion of economic, political, and social development abroad could be united into a single agency located (1) at the cabinet level; (2) at the subcabinet level; or (3) fully merged into the Department of State. What are the criteria that should govern this critical organizational decision in the United States?

The principal justification for creating a cabinet-level development agency is that the purpose and mission of promoting development abroad is of sufficient importance, size, and scope that it should be raised to this level. That the Bush administration has emphasized a troika of defense, diplomacy, and development as major elements in the U.S. approach to foreign affairs implies that development is worthy of a cabinet-level position. This is strongly supported by many in the U.S. development community. Of course, others might argue that promoting development abroad does not enjoy a sufficient stature, scope of activity, or priority to

justify its location in a new federal department. Further, there is a widely shared view in the foreign policy community that development aid should remain in a supporting role, closely linked to U.S. diplomacy. In this view, creating a cabinet-level department for development aid would give such an agency too much independence from the Department of State.

The issue of whether the scope of development is significant enough and of a high enough priority to warrant its location in a cabinet-level agency is a judgment call. There are no set criteria or benchmarks for deciding this issue. While in the past international development has not been given a high priority in U.S. foreign policy and has not enjoyed the sizeable budgets and numbers of employees a cabinet-level agency would seem to imply, recent large increases in U.S. aid might change that perspective. The 2007 requested budget for the development programs listed in box 4-2—USAID, MCC, PEPFAR, and other aid programs in the Department of State—amounted to just over \$11 billion. This was all discretionary spending—that is, not mandated by law. As mentioned earlier in this study, discretionary expenditures represent roughly one-third of total U.S. government budgetary expenditures per year. If we compare that level of spending to the levels of discretionary spending on the part of existing cabinet agencies, we find that the departments of Commerce, Interior, Labor, and Treasury are at the same or lower levels of such spending. It should be noted that when mandatory spending is added to these budgets, they tend to double in size. (There is no mandatory spending associated with foreign aid.) These data suggest that at least in terms of annual discretionary spending budgets, a cabinet-level development agency would be among the smaller of such agencies but not so small as to be an anomaly.

Those supporting a cabinet-level development agency might also argue that even if the scope and priority of international development work abroad are relatively small, simply creating such an agency would provide an opportunity and incentive for U.S. engagement in development to increase. Agencies are good at lobbying for their missions and budgets, and cabinet agencies are among the most influential and effective.⁶ They are also often populated by competent and politically influential leaders, which is not always the case with subcabinet-level agencies where leadership

positions are not as visible and are often offered as political patronage to individuals with less knowledge, experience, and leadership skills than those appointed to cabinet-level positions.

A semi-independent, subcabinet-level development agency, much as USAID has been over the past forty-five years, has its own advantages. It enjoys a degree of autonomy in pursuing its mission, but its relationship to the State Department can ensure a measure of policy consistency and coherence between the two agencies in the field. That relationship can be based on joint planning exercises for country goals; it can involve the ambassadors in the field and the secretary of state having to sign off on annual country aid budgets, as was usually the case in the past; it also can involve personnel exchanges, although this has rarely occurred between USAID and State, in large part because the training and experience of the two personnel services are quite different. However, for an aid agency to retain a measure of autonomy, it must retain authority over its budget, planning, and personnel systems, and must have some avenue of appeal—ultimately to the president if necessary—over decisions affecting it made by other agencies. A partial merger of agencies, as is the case with USAID and State, especially regarding the budget function, begins to compromise that autonomy.

Arguments for a full merger of all development programs into the Department of State are typically based on creating greater coherence between what is done to promote development and what is done to promote foreign policy generally. In a government where those two purposes are largely coincident, a merger may make sense. But where they diverge, as in cases where aid-giving governments pursue international security and political goals in developing countries distinct from development goals—as with most major powers—a full merger can lead to the purpose of the more powerful agency eventually overwhelming that of the smaller one or leading to its neglect. For example, the merger of the former U.S. Information Agency into the Department of State has, in the view of many, led to a significant downgrading of public diplomacy and cultural affairs in U.S. foreign policy. Similarly, the merger of the Federal Emergency Management Agency into the Department of Homeland Security has been blamed for weakening U.S. disaster preparedness.⁷

Interagency Coordination

For government policies and programs involving broadly similar issues but operating out of different bureaus, agencies, or departments, systems of coordination are required to ensure consistency. For instance, the need for a “whole of government” approach to address the global war on terror or failing and failed states has become more prominent as these issues have grown in importance, but they are only some of the numerous international problems requiring effective interagency coordination in an integrating and rapidly changing world.⁸ The main point of policy and programmatic coordination in all development work is the U.S. ambassador in the field who leads the country team, helps develop the U.S. government mission statement for his country, and reviews overall plans for U.S. engagement there. He or she also controls who from the U.S. government can visit the country. But to leave U.S. ambassadors in the field as the principal point of interagency coordination and control in the country is risky because of the large and increasing engagement of U.S. government agencies abroad and the growing numbers of activities with a regional or sector focus (where individual countries are not the key focus of action). U.S. ambassadors have a difficult time even knowing all the U.S. government activities taking place in their countries today; those activities are only likely to expand in the future. There should be effective points of coordination in Washington as well.

In the past, interagency groups or teams have met periodically to discuss ongoing issues or have been called together to address particular challenges or crises. Problems with these arrangements have included a failure to share relevant information; decisions not made or enforced; and the slowness and time-consuming nature of the process. Behind these problems is the inevitable tendency on the part of representatives from different agencies to act primarily to protect and advance the interests of their own institutions. If interagency coordination in the future is to be more effective, new models are needed with compelling incentives for cooperation across agencies.

There are several coordinating arrangements in the defense and security areas that are worth considering for future interagency involvement in development work. One is the National Counterterrorism Center

(NCTC).⁹ This organization, which reports to the director of national intelligence, serves “as the primary organization for strategic operational planning for counter-terrorism. Operating under the policy direction of the President of the United States, the National Security Council, and the Homeland Security Council, NCTC provides a full-time interagency forum and process to plan, integrate, assign lead operational roles and responsibilities, and measure the effectiveness of strategic operational counter-terrorism activities of the U.S. Government, applying all instruments of national power to the counter-terrorism mission.”¹⁰ In effect, it is an agency set up to coordinate other agencies. The NCTC draws its staff from all the agencies involved in counterterrorism activities. One could imagine a similar agency created for development within the U.S. government—to gather information on all U.S. aid and other relevant policies, help develop strategic plans for countries and regions, and assess the effectiveness of the totality of U.S. government activities in support of development. It could report to the National Security Council and the secretary of state (which would enhance its power and legitimacy) and draw a portion of its staff to serve for fixed periods from agencies engaged in aid-related activities.

Another model for interagency coordination, also drawn from the Defense Department, is the Quadrennial Defense Review (QDR). DoD undertakes this review every four years to “conduct a comprehensive examination . . . of the national defense strategy, force structure, force modernization plans, infrastructure, budget plan, and other elements of the defense program and policies of the United States with a view toward determining and expressing the defense strategy of the United States and establishing a defense program for the next 20 years.”¹¹ One could imagine substituting development for defense, substituting the various tools of development for the tools of defense, and engaging all major agencies involved with development work under the leadership of the National Security Council. The exercise would produce an overall strategy for collaboration and coordination on countries, regions, and sectors by agencies involved in development-oriented activities.

The F process represents yet another model for interagency coordination. Ultimately, the director of U.S. foreign assistance would not only control most of the aid budgets of USAID and State but also those of all

other U.S. aid programs, in effect shifting key decisionmaking authorities to the Department of State. One could also imagine overall control, coordination, and budgetary authorities lodged with the National Security Council or other elements of the White House, although this scenario would bring program responsibilities into the White House—something past administrations have tried to avoid given the brokering roles White House staff often play.

These models of interagency coordination may not be the answers to the challenge of managing aid to promote development in the future, but they can provide a starting point for thinking about the problem, which will only get worse as more U.S. government agencies become involved in attempting to improve the human condition in developing countries.

The Politics of Organization

One of the most insightful scholars of the politics of bureaucratic structure, Terry Moe, states, “Structural choices have important consequences for the content and direction of policy, and political actors know it. When they make choices about structure, they are implicitly making choices about policy.”¹² This is because structure affects who decides policy and who has the authority to veto policy proposals. It involves the key decisions on budgets and personnel appointments, which ultimately affect who controls an agency and its policy decisions. It determines who has access to the decisionmakers and thus the opportunity to influence them, as well as who implements, monitors and evaluates them. The highly political nature of organizational decisions is often ignored in discussions in policy or academic circles on aid organization—it is too often assumed that the way government is organized is basically a technical issue. It is only partly that.

The politics of organization can affect foreign aid in two ways. One is the politics of where the responsibility for managing aid is placed. As noted above, if aid for development is placed in an agency whose main mission is not development, it is very likely that the aid will eventually come to support the primary mission of the home agency, whatever the original intent of those who designed the organizational arrangements.

The other dimension of the politics of organization involves organizational change. Listed earlier in this chapter are the many U.S. government agencies now running aid programs. In an ideal world, as noted, those most closely associated with development, broadly defined, should logically be placed in a development aid agency. But there are political costs to any significant organizational change. Most of the small programs scattered throughout the U.S. government are now well established in a variety of U.S. government departments with their own staffs and budgets, often supported by outside interest groups and staff and members of Congress, and are likely to be jealously protected by their agency leadership and constituents. Past proposals for shifting responsibilities for the international financial institutions from Treasury to USAID have always been effectively resisted by successive Treasury secretaries.

Major structural changes in government—for example, the merger or reconfiguration of agencies—will require legislation. And the more extensive the legislative changes, the more politically costly it becomes to the administration to get such legislation through Congress. Foreign aid is not a popular program with much of the American public and has a relatively weak constituency. Thus, members of Congress have been reluctant to vote for it unless it is absolutely necessary (for example, for appropriations legislation) or brings benefits to their constituents (usually in the form of legislative earmarks or directives). To get any new aid authorizing legislation through Congress requires presidential involvement: persuasion, arm twisting, and policy concessions that take time and often resources. Time and political capital are surely the scarcest of resources for presidents, so major reorganizations need to carry a compelling priority and the promise of major benefits to engage a president's attention and involvement.

Applying these lessons to the three major alternatives for reorganizing U.S. development aid, the most politically costly would be establishing a cabinet-level department of development. The least costly would be to leave things alone or to make organizational changes that do not require legislation or are so minor that they do not provoke resistance within the executive branch or Congress. (I shall return to the issue of reorganization in the final chapter.)

Issues of Change Management

As noted in chapter 2, the style of change (as with the F process) can be as important as the substance of change in a reform process. Here I examine change management in foreign aid in the Bush administration, not only for what it tells us about past experience but for the lessons for the future should a future administration choose to reorganize U.S. foreign aid.

What Does the Literature Say?

There is a large literature on managing organizational change in the private sector. We can only point to a few interesting examples here. First, from the scholarly perspective, John Kotter in his *Leading Change* lists a set of principles that are shared by many experts on change management:

- ◆ Establishing a sense of urgency
- ◆ Creating the guiding coalition
- ◆ Developing a vision and strategy
- ◆ Communicating the change vision
- ◆ Empowering employees for broad-based action
- ◆ Generating short-term wins
- ◆ Consolidating gains and producing more change
- ◆ Anchoring new approaches in the culture¹³

Beginning with a compelling vision, communicating it effectively, creating coalitions of employees supportive of change, demonstrating positive results from change—these are the steps needed to successfully manage change and overcome resistance to change among those affected by it.¹⁴ From the perspective of a highly accomplished corporate leader, key principles of leadership—of which change management is a core component—are similar:

- ◆ Without a shared vision that is compelling and truly embraced with passion, it's nearly impossible for any organization to be successful.
- ◆ Creating a vision involves deciding where the organization must go, and then, with some passion, communicating (and communicating and communicating) a simple message describing that destination.
- ◆ Leadership is as much about listening, about building relationships, about providing encouragement when it's needed, as it is about communicating one's own ideas.

- ◆ Effective communication is more than simply delivering a collection of well-considered statements. It's also where and how and, above all, when these words are delivered that truly cause messages to take hold and behaviors to change. . . . The real challenge for many leaders is not only communicating per se, it's integrating the way they behave with what they speak and write.
- ◆ When an organization is engaged in wrenching and fundamental upheaval, it's important that all of the people touched by the organization have something comfortable and familiar to hang on to.¹⁵

Both of these works implicitly address the issue of style in managing change that has long been a source of debate—should leaders use muscular tactics (“shock and awe”) to force acceptance of change, for example, firing or isolating anyone who appears to resist change? Or should the style be more one of persuasion? Much of the current literature appears to come down on the side of the latter.

But to what extent is this literature relevant to change management in the public sector? One of the most famous quotations in public administration, attributed to Wallace Sayre (a professor at Columbia University during the middle of the last century), asserts that “public and private management are fundamentally alike in all unimportant aspects.” In what important ways might they be different with regard to managing change?

The key difference is the nature of leadership and authority in the private versus public sectors. Leaders of public organizations have much less authority or power to implement change than private sector leaders do because of legislative restrictions and the political environment in which public sector organizations must function. Thus, change management in public organizations typically requires much more communication, coalition building, negotiation, and time than in private organizations. This difference is probably most evident in the U.S. political system, which is among the most decentralized in the world, with a large role played by Congress and private organizations in major public sector decisions.

The impact of our political institutions on change management can be seen in the nature of public organizations as well as in the role of Congress. U.S. government agencies look like discrete organizations, but they seldom are, especially the many agencies that manage spending programs. For every federal dollar spent, there are interests that support those

expenditures because they believe in them or benefit from them. Those interests exist within government agencies (that is, in the bureaus responsible for the particular policies and expenditures), in Congress, and among private organizations and groups who often work together in informal networks. Thus, an effort by an agency head to bring about major changes in a particular program within the agency can—where such changes are unwelcome—quickly provoke resistance from Congress and private groups supporting that program.

In short, government agencies are frequently coalitions of separate interests themselves, tied into broader networks of interests outside government rather than the discrete, hierarchical public organizations they appear in organigrams.¹⁶ Political appointees coming into government leadership positions for the first time often discover this reality the hard way when they collide with those interests.

Additionally, government employees usually cannot be fired if they resist changes proposed by agency leaders. They can be sidelined and isolated—and they can try to mobilize opposition to proposed changes. The rigidities in public employment regulations are there for good reasons—to prevent the politicization of public service and protect the rights of employees. But this arrangement puts another constraint on change management in the public sector—especially for leaders accustomed to the “shock and awe” approaches—that does not exist in the private sector.

A third difference between the public and private sector is the political environment of change. Where legislation is needed for significant changes, Congress must be involved. But even where legislation may not be needed, Congress can become involved if it sees its interests affected. Indeed, some believe that, constitutionally, Congress should be involved in any major organizational changes in the executive branch, whether legislation is required or not.

At a minimum, key members of Congress and their staffs need to be consulted in the planning and implementation of change. They have their own goals, agendas, and practices and the power to protect them. To make matters more complicated, different members and staffers often have differing and conflicting agendas, creating a challenging political minefield for change managers in the executive branch. For those in the executive branch unfamiliar with congressional views, it is especially

important to consult, to listen, and—most difficult—to *hear* what members and their staffs say. What they mean is not always evident in what they say. Change managers also need to frame their proposed changes in terms of issues and values Congress will accept, to figure out what is negotiable and what is not, and to build support coalitions for change.

Not surprisingly, it almost always takes time to get a major organizational change through the executive branch and Congress. And then it takes a lot more time and effort to implement major changes, usually with a considerable cost in program dislocation. It is often several years before major organizational reforms can be fully realized and the affected agencies and programs are again running smoothly. The major organizational changes in the Bush administration—the creation of the Department of Homeland Security and the reform of the intelligence agencies—are still being sorted out years after the changes were approved by Congress.

Change Management in the Bush Administration's Aid Initiatives

The F process has become the most ambitious reform in foreign aid undertaken by the Bush administration. It is widely regarded as a failure. What are its lessons for a future administration implementing major changes in foreign aid?

Context is important. With only about two years before the end of Bush's second term, there was a relatively short period to implement such changes given the consulting, planning, explaining, consensus building, and overcoming or overriding resistance within the executive branch, in Congress, and among interest groups. And then, once changes have been approved, there is the time-consuming task of implementing and ironing out the many unexpected issues that arise. The last two years of a two-term administration is an especially difficult time to implement change, where the president is increasingly a lame duck, administration officials are often exhausted (or distracted, looking for their next jobs), bureaucratic interests are entrenched, and a degree of tension and distrust has often built up between an administration and Congress.

Communication is important—and organizational culture plays a role in how information is communicated. Director Tobias consulted frequently and spoke often about his plans for reform. But the style of consultation

was often seen as more one of “here is what we are planning; what is your reaction?” rather than “here are some problems we need to address together and here are our ideas; what are yours?” The development community inside USAID and outside it has a culture of consultation, conversation, and consensus rather than discussion and quick decision. This approach undoubtedly reflects the emphasis in much of the community on participation of stakeholders and beneficiaries in development activities on their behalf. This process is time consuming and involves a measure of give and take, but it does make people feel they have had a say and a stake in the decisions that are made (even if they are not the preferred ones). And it involves creating trust on both sides—something that is often a casualty of change management.

Another cultural factor—different from the private sector—is the political nature of agency leadership in the U.S. government. It is a common and well-recognized pattern that incoming political appointees in a new administration—or even newly appointed senior officials in an existing one—often regard the existing crowd of career professionals as tainted by the previous administration, possibly hostile to the new leadership, and even incompetent. Those same incoming political appointees are often regarded by career professionals as yet another lot of arrogant, uninformed, and sometimes incompetent individuals that must be endured until they leave—which sooner or later they always do. These stereotypes and distrust can deepen if they are reinforced by the expected behavior on both sides. And this typically occurs when a new leadership wants to discard past policies and make rapid policy, programmatic, or organizational changes—which they often want to do in foreign aid.

Understanding Congress is another element in change management in Washington. There also seems to have been a misunderstanding of what Congress wanted or would accept in the way of reforms. Congress did want more data. Staff and members were unlikely, however, to give up many earmarks and directives that serve a number of important purposes for them—that is, to force an administration they may distrust to undertake tasks they think necessary and important; to benefit key constituent groups; to help causes they believe in; and to trade for favors by other members. Key members and their staffs felt they had been told about the reforms but were not truly consulted, listened to but not heard. This was

a serious failure of communication. Undoubtedly, the rising discontent within USAID with the F process had also been passed on to members of Congress and their staffs, setting off alarms on the Hill about the efficacy and intent of the reforms.

Finally, communication is also about symbols, and here there appear to have been further breakdowns in change management. The reforms were regarded with suspicion by many in Washington who feared they represented a merger by stealth of USAID into the Department of State. That Tobias spent most of his time at the State Department (and took most of USAID's policy and budget shop with him) reinforced this fear. His reduction of USAID's operating expenses and shift of funding from Development Assistance to ESF also reinforced the impression that a takeover was, in fact, under way. Other actions taken—one of USAID's periodic news magazines ceased publication and conferences of USAID mission directors halted—were seen as further evidence that Tobias cared little about the organization or its staff. Whatever the intent of these decisions (Tobias's former staff explain these budgetary decisions in terms of technical adjustments), they were widely regarded as signs of a shift of control of development aid toward State Department political objectives and away from USAID's development mission.

Based on this discussion and the general lessons of change management listed above, what conclusions can we draw about change management in the F process? The F process strategy, with time, had some short-term wins. It produced expanded data on aid expenditures and better coordination in what had been scattered aid programs in USAID and State. But the reform was initiated not as a result of a sense of urgency or crisis on the part of USAID's and State's professional staff and outside constituents, but because the secretary of state decided it made sense. No effective guiding coalition of highly credible change agents drawn from the professional staff within State and USAID worked closely to advise Tobias and to legitimize and implement change. It was not anchored in the cultures of either agency. State Department officers were not used to the planning and programming culture of USAID, where objectives were identified, measurable indicators established, and the metrics of success published. And the F process appeared to override USAID's culture of strong consensual norms. Those designing the reforms appear to have not understood the political

constraints they were operating under, especially with Congress. And behavior was not seen to be consistent with the stated intent of elevating development as a purpose in U.S. foreign policy. Given the rising criticism in Congress and among the development community, the reforms appear to have been headed for disaster even before the sudden resignation of Tobias for other reasons.

Summing Up

Organizational changes are difficult, but they are overdue in U.S. aid if the benefits of the Bush transformation in foreign aid are to be realized and the challenges of relief, development, global problems, and failing and failed states facing the United States are to be met effectively. But managing change is never easy. There is no better summary of the challenges of change management than the one offered by Tobias in his book on the topic: “Change is a lot like fire. Manage it, turn it to your advantage, and you will bask in the warmth of its glow; ignore it or manage it poorly, and one thing is certain—eventually you will get burned.”¹⁷