

Navy Civilians: Paradigms, Strategic Plans, and Outcomes

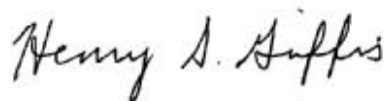
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A handwritten signature in black ink that reads "Henry S. Griffis". The signature is written in a cursive style with a large initial 'H' and 'G'.

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Executive summary

The Navy workforce consists of three distinct types of personnel, managed according to very different rules. The military manpower personnel system is widely studied and has a rich history of empirical and quantitative analysis. Contractor personnel management is by and large left to the contractors. Navy civilians have been managed according to the Federal Government civil service system, although this is about to change. This paper focuses on Navy civilian employees and how to improve the way they are managed.

This paper does not provide a strategic plan for managing and developing Navy civilians, nor does it suggest new rules for managing them. The Navy has no shortage of the former,¹ and the new National Security Personnel System (NSPS), still under development, has been given the lead with regard to the latter.² Our contention, though, is that the biggest barriers to achieving desired outcomes are not the quality of the plan and the specific rules (though clearly they have an impact) but rather the approach, culture, and reward/incentive system under which DoD civilians work. We will discuss how those

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1. See, for example, National Academy of Public Administration, *Civilian Workforce 2020: Strategies for Modernizing Human Resources Management in the Department of the Navy*, August 2000; Department of the Navy, *Human Capital Strategic Plan Summary, 2003-2008*; and Department of the Navy, *Human Capital Strategy*, June 2004. In addition to the Navy plan(s), there is an official human resource strategic plan for the DoD as a whole, as required by the *Chief Human Capital Officers Act of 2002*, enacted on November 25, 2002. (The Under Secretary of Defense (Personnel and Readiness) is designated the Chief Human Capital Officer of DoD and is responsible for the strategic plan.)
 2. For a detailed look at the design process and current plans for NSPS, see the sections in Koopman, Fernandez, and Marcus (2005) entitled “The National Security Personnel System and programming for Navy civilians” and “Appendix: Details of NSPS design and implementation.”

things might change to better support improved productivity and effectiveness of Navy civilians. As a part of this discussion, we will emphasize the ways in which managing public servants is inherently different from managing either private-sector employees or military service members. We will identify some major factors that affect successful human resource development and management, and discuss these factors as they apply to Navy civilians.

The major themes that we develop in this paper follow:

- A civilian strategic plan provides goals. Attaining the goals requires good leadership—first and foremost—and good people-management skills at all levels.
- Improvements in the skill and efficiency of Navy civilians require changes in behavior, not just changes in rules. The behavioral changes include the willingness (a) to take sufficient time for effective performance management and (b) to accept the unpleasant task of notifying poor performers. To the extent that managers of Navy civilians have been unwilling to do this before now, they may continue to be unwilling unless there is a change in incentives or culture.
- DoD and the Navy have yet to focus on how to provide new incentives or change the culture of Navy civilians (or the attitudes of uniformed Navy personnel who manage civilians).
- The use of trained human resource professionals in the Navy HR and Civilian Community Management (N11) offices should be encouraged. Emphasis should be on how to motivate employees and guide employee development, not on administering rules or standardizing career paths. HR professionals, not manpower planners, are the experts here.
- The emphasis needs to be on performance management, rather than on performance standards and annual reviews. Standards and evaluations are enablers, not objectives; the ultimate objective is to get the best from each civilian.

Background

Shortcomings of the civil service system, and in the performance of civil servants, provide a perennial topic for complaint and concern—never more so than in the last 5 years. These concerns have culminated in recent calls from several nongovernmental bodies for reorganizing both the executive departments of the Federal Government and the personnel management systems under which those departments operate.³ Within the government, the White House and the Office of Management and Budget have aggressively pursued the establishment of performance scorecards in federal agencies for the last 5 years or so, along with a strong emphasis on strategic human capital planning and the linking of employee evaluations directly to the agency’s mission.⁴ Within the Navy, the Chief of Naval Operations (CNO) and the Chief of Naval Personnel (CNP), as part of a renewed emphasis on total force management, have moved to the fore in the area of planning and managing for civilians. Policies regarding Navy civilians had heretofore been primarily the province of the Navy Secretariat, in particular the Deputy Assistant Secretary of the Navy, Civilian Human Resources (DASN(CHR)).

While these developments were occurring, the Department of Defense was pursuing authority to establish its own civilian personnel management system, separate from the standard civil service system. Such authority had already been granted to the Department of Homeland Security. In November 2003, Congress granted it to DoD:

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3. See National Commission on the Public Service (2003) and Klitgaard and Light (2005).
 4. Performance reporting by all executive departments was mandated by Congress in 1993 under the Government Performance and Results Act (GPRA), but the quality and relevance of the performance metrics varied greatly across departments. The OMB scorecard system has, in effect, replaced GPRA with a high-level, more visible, standardized, and well-policed “stoplight” reporting system.

the FY04 National Defense Authorization Act (NDAA) provided for the establishment of a new National Security Personnel System.⁵

Congress mandated that the NSPS must conform to the basic merit system and other specified protections of Title 5, United States Code, which governs federal workers. On other matters (hiring authorities, job classification, pay bands and intervals, performance appraisals, employee appeals, labor relations, etc.), the Secretary of Defense, in conjunction with the Office of Personnel Management, can establish its own human resource management system independent of Title 5.

5. The costs of implementing and maintaining NSPS have not yet been addressed, nor have its presumed benefits been quantified. The assumption by DoD (and Congress) appears to have been that the current system is so inimical to productivity and an efficient workforce that improvement is worth whatever it costs.

Managing Navy civilians

Key differences from military and private-sector human resource management

Due to recent Navy initiatives with respect to civilian employees, the Navy is moving toward managing civilians they way they manage military personnel. The NSPS tends to treat them as private-sector employees. It is easy to overlook some inherent differences between public servants and either of the other two groups. We briefly review some of the key differences here.

Life in the military is very different from life with a civilian employer for a number of reasons related to the unique nature of a job in armed forces, as well as tradition and history. Essential or highly successful attributes of the military personnel system, however, are not necessarily even pertinent to a civilian system. Although this may appear obvious, there is an understandable tendency for those whose life experience has been within the armed forces to overlook it.

Each military service manages its active duty personnel centrally, in a closed personnel system that allows no real lateral entry (although sometimes people are recruited after they finish professional training in the civilian world). With reasonable performance levels, employment is guaranteed for at least 20 years and up to 30 years. The employer makes available all training (and any retraining) necessary for career advancement. There is little individual variation or flexibility in career development within a military occupation. Arguably, these characteristics are needed if all manpower needs are filled internally by personnel recruited as soon as they finish school (high school for enlisted and college for officers). In addition, the oft-repeated statement that “we recruit individuals but retain families” leads to a unique and direct involvement of the employer—the military—in many aspects of its employees’ family lives, including health care, housing, and schooling for dependents.

Although the Navy is beginning to loosen some of the constraints, this remains the basic model for those in the military. The system is one in which the employer takes responsibility for a wide range of career and life issues. Civilian employees, however, do not always either want or expect their employers to manage their careers and support their families. Workers change employers multiple times during their working lives, and usually manage their own career paths and training needs. They have no reason to expect that they will stay with a single employer for two or three decades or that the Navy is the best lifetime planner for their careers.

Under these circumstances, Navy civilians may not value the Civilian Community Managers that the Navy has recently established in the mold of the Community Managers that have long existed for active duty Navy personnel. Nor is it necessarily sensible for the Navy to build lifelong career paths for civilians. Hiring from outside the Navy may be a more efficient way to fill some openings. Leaving the Navy for another employer at some point far short of a 20- to 30-year career may be the best choice some people.

If Navy civilian management practices should not fully emulate those of military manpower management, they also should not blindly adopt private-sector practice. There are at least three crucial differences between the public and private sectors that directly impinge on personnel management. The first is the public sector's inability to exploit a typical profit-and-loss statement as the measure of performance. Thus, the metrics of performance evaluation and goals are harder to define. Second, the scope for rewarding efficiency by supervisors and managers is more limited in the public sector. Increased efficiency in the use of human resources may not translate to more money available for other inputs (or for raises). Nor does an efficient manager achieve an increase in market share. Saving money for the taxpayer is a laudable goal, but it may have limited connection to immediate rewards for the government manager. It is possible to craft a personnel system that changes this tenuous relation, but it will take ingenuity and creative approaches, given that DoD's product is "national defense" and DoD productivity is notoriously hard to measure.

Finally, the appearance of fairness in public-sector employee management is a major goal in itself, in a way that it is not in the private sector. Transparency and perceived equity in the treatment of public employees are primary objectives. Of course, the private sector has laws governing discrimination and unfair labor practices, but the level of cultural concern and public scrutiny is not the same as in the public sector.

Although a revised Navy civilian employment management system will have important differences from either military or private-sector systems, there are clearly important lessons to be learned from both. The military system is exemplary in its ability to motivate and support team effort, and in its emphasis on leadership and people-management skills. The private sector provides a wealth of experience with performance management and other human resource practices. The Navy also could benefit by adopting the private-sector practice of using human resource offices as sources of advice and management expertise rather than as administrative and/or rule-enforcement offices. (As long as public policy continues to emphasize fairness and consistency in federal employment, however, there will be more of a need to limit managerial discretion and to impose consistency among personnel actions than in the private sector.)

NSPS: Brief description and difficulties of implementation

Many of the shortcomings of the federal civil service system have been attributed to its rigid, complex rules. In particular, the federal pay system and reduction-in-force (RIF) rules are alleged to reward longevity over performance, and firing unsatisfactory workers can be difficult and time-consuming. Therefore, the argument goes, if the rules were different good performers would be suitably rewarded, and poor performers would be fired or induced to leave by below-average pay raises.

For several years, DoD made the argument to Congress that civilian management needed to be changed and suggested that DoD civilians be managed differently than other federal civilians. Personnel activities that were specifically targeted for change (and the change envisaged) include:

- Hiring (more speed and flexibility)
- Staffing flexibilities and workforce resizing (easier reassignment; stronger role for performance during reductions in force)
- Pay rates and systems (numerous paygrades replaced by “broadbanding”)
- Job classification (broader, more flexible job categories)
- Performance management (performance-based pay)
- Labor-management relations (streamlined collective bargaining; mandatory bargaining only for major issues)
- Discipline, adverse actions, and employee appeals (streamlined, with fewer opportunities to appeal outside DoD).

In the FY04 NDAA, Congress agreed to allow many of the requested changes in a new, DoD-unique system that would include a pay-for-performance evaluation system.

The actual design of the NSPS has proved time-consuming and contentious; as of this writing, few details are known about the operational details of the human resource portion. Plans to begin implementing the new civilian personnel system are proceeding even though details of the new system have not been announced. When implemented, however, it will provide significantly more flexibility than the current civil service system. The current pay schedules (including General Schedule (GS) and Federal Wage System (FWS)) are to be replaced with broad pay bands, and the NSPS will be a pay-for-performance system.

Following the acquisition paradigm, the NSPS will be developed using “spiral development.” That is, NSPS will be put into operation in phases, and the rules and processes will be refined even as implementation proceeds. The first spiral in the spiral development will have three increments, separated by 6- to 9-month intervals. Only GS, GM, and Acquisition Demonstration employees will be included; FWS employees (blue-collar workers) will not participate. The first

increment, Spiral 1.1, will cover about 60,000 DoD civilians, including 12,375 Navy and Marine civilians.

Although it appears certain that NSPS will be in place soon for the Navy civilians who are part of Spiral 1.1, the extent to which the new system eventually will be extended to all Navy employees is unclear. The inclusion of FWS employees, who are heavily unionized, in the new civilian personnel management system is a departure from most previous practice.⁶ Traditionally, discussions of pay for performance in the federal government have excluded these workers.⁷ Clearly, however, it has been the intent of DoD to include them in NSPS.

unions, representing about half of the 750,000 total employees of the Department, vehemently object to NSPS as currently designed. A coalition of unions (the United Department of Defense Workers Coalition, or UDWC) has challenged whether new rules are necessary or desirable. Some unions have filed an Unfair Labor Practices lawsuit over the process by which NSPS is being designed, and the UDWC submitted a 137-page compendium of objections to the proposed Enabling Regulations for NSPS.⁸ The cover letter of the UDWC objections says, “We are compelled to object to the system in its entirety [emphasis in original].”⁹ The law authorizing NSPS allows it to be implemented over the objections of unions and employees (with 30 days’ notice and explanation to Congress). Congressional cancellation, delay, or modification of NSPS as it applies to bargaining unit employees, however, is a possibility.

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6. Only one of the Federal Government civilian personnel management demonstrations included unionized employees. For details, see the “Lessons learned from demonstration projects” section in Koopman, Fernandez, and Marcus (2005).
 7. See, for example, National Academy of Public Administration (2004), National Commission on the Public Service (2003), and OPM (2002).
 8. The Enabling Regulations were published in the *Federal Register* on 14 February 2005.
 9. The letter and comments can be obtained from the NSPS PEO and also are posted on the website of the National Association of Government Employees: <http://nage.org/NSPS/NSPSUnionCommentsfinal1.doc>.

Regardless of how widely the NSPS is ultimately implemented, the increased flexibilities and new pay system will be welcome. However, we should not overlook the fact that some substantial areas of flexibility in the *current* personnel system go unused. Bonus pools frequently are divided among all or most employees, on a “fair share” basis, when there is no obligation to do so and even when the intent of the bonuses is to reward only the best performers. Performance ratings are uniformly in the highest two categories (of five).¹⁰ Some have suggested that this is to avoid dealing with disaffected workers or grievances, but formal grievances are allowed only for less than “satisfactory” ratings. Bonuses are not subject to grievances. Previous researchers have found that civil service managers rarely use the many tools available to them through the system to flexibly manage their workforce to meet strategic goals.¹¹

If the rules are relaxed, will DoD managers and supervisors be more likely to reward good performance? The Federal Government has had authority since 1978 to conduct civilian personnel management demonstrations to test new practices. Broadbanding and pay for performance are the most common ways in which the demonstrations differ from standard civil service practices. In 1998, the NDAA gave DoD additional demonstration authority for Service labs, and demonstrations became more common. Evidence from these demonstrations suggests that relaxing the rules is not always followed by better performance management. In a 2004 evaluation of six demonstrations, all of which had been in operation for at least 5 years, GAO concluded the following:¹²

Overall, while the demonstration projects made some distinctions among employees’ performance, the data and experience to date show that making such meaningful distinctions remains a work in progress.

10. Diane Disney (2000).

11. Asch (2002), p. 4.

12. United States General Accounting Office (2004), p.13 and p. 17.

For NAVSEA's Newport Division, one of the personnel demonstrations evaluated, GAO found that about 80 percent of employees were rated in the top two (of four) performance categories, and no employees were rated unacceptable.

Asch, quoting from a 1998 OPM study of government organizations that were exempt from the standard (Title 5) civil service rules, points out that "the study found few differences in the recruitment, hiring, and promotion practices of exempt organizations that supposedly had more flexibility than those that were not exempt."¹³

The intent of NSPS is that new incentives—specifically pay for performance—accompany the new more flexible rules and, in combination, induce a change in behavior. The Enabling Regulations state that DoD will issue implementing instructions that will, among other things, hold supervisors and managers accountable for effectively managing performance of employees under their supervision. More specifically, managers are responsible for making meaningful distinctions among employees based on performance and contribution, and for addressing poor performance. Since duties very similar to these are required of managers under the previous (Title 5) rules, it is not clear that NSPS will prove any more effective than the previous regime.

The difficulty is that genuine performance evaluation, and determination pay based on performance, is time-consuming, difficult, and sometimes confrontational. It will be routinely undertaken by supervisors and managers only if they have both the requisite knowledge and sufficient incentive. DoD is planning to provide training in interpersonal skills to managers and supervisors, and pay for performance applied to managers should provide the incentives. The training will be minimal (1-3 days), however, and developing performance standards for managers is difficult.

Without a new willingness on the part of supervisors and managers to seriously evaluate performance and base pay decisions on it, NSPS will not only fail to improve Navy civilians' effectiveness, it may also

13. Asch (2002), p. 6.

cost the Navy more. If supervisors/managers do not strongly differentiate between good and poor performers, all will end up at the top of the pay band in which they start. This would be more costly than the current salary system in which poorly performing employees end up—at best—at the top of a GS grade, which has a much smaller pay range than the broad bands of NSPS.

Performance standards and performance evaluations in the public sector

There is a large literature on the difficulties of developing performance measures in general.¹⁴ The measures studied apply primarily to front-line workers, such as teachers (in public schools), customer service representatives (in service businesses), or rank and file workers (in manufacturing). In this context, two difficulties that stand out are those avoiding (1) unintended consequences and (2) short-term time horizons.

Unintended consequences refer to the tendency for employees rated by written performance standards to reallocate effort away from things that are not measured toward things that are.¹⁵ Many DoD jobs are complex and multidimensional, sometimes with multiple customers with differing objectives. Unless standards are multidimensional and carefully crafted, the outcome may well be employee effort that is directed toward only some parts of the job rather than toward overall effectiveness in the job.

Similarly, the short-term (1-year) time horizon that would appear most appropriate in an annual performance evaluation may lead to employee emphasis on goals achievable in the short run, to the detriment of goals that take longer to accomplish.

A further complicating factor is the need, especially evident in employment in the public sector, for performance factors that are quantifiable and objective. Such measures can perhaps be found for repetitive tasks or some aspects of customer service jobs, but are difficult to identify for knowledge workers and for managers. In the

14. See, for example, Asch (2005), Hamilton (2005), and Klerman (2005).

15. Asch (2005) discusses a number of examples of unintended consequences of performance measures in military recruiting.

private sector, at least at higher management levels, contribution to profit can serve as a quantifiable and objective performance metric, but the Department of Defense has no analogous measure. And choosing performance measures because they appear objective, rather than because they are appropriate, leads to a misalignment of incentives and the behavior that DoD wants to reward.

Also, performance measures are effective only if the measure is largely in control of the person being evaluated. Many Navy workers work in team environments, often where key factors are beyond their control—either because of truly external circumstances (e.g., Congressional or OSD actions) or because one part of the organization depends for inputs on other parts (over which they have no control). Fair and equitable performance measures must encourage teamwork without unduly penalizing individual workers for circumstances beyond their control.

Note that some federal agencies (and private sector firms) have advocated using a “competencies-based” approach to defining the aspects of a current job that should be included in performance evaluations. This approach primarily uses a survey of the incumbents of current positions to determine which competencies they need to perform their jobs. If, however, the primary objective of the redesign of the civilian personnel system in DoD is to change how people do their jobs, such an approach may not be a solid foundation for performance metrics.

Overall, then, it is difficult on a number of dimensions to develop fair and appropriate performance measures for Navy civilians, especially when the organization may want to reengineer itself to provide better productivity. Some of these factors have been considered, and potential solutions evolved, for private-sector employees. Others are important in public employment, but not the private sector.

There is little indication that the existing business and labor economics research on the topic has been consulted either by the designers of NSPS or by the Navy. In view of the time constraints of this project, we also have not extensively examined this literature. A brief immersion in some of the most relevant work, however, reveals some

suggestions for ways to deal with the aforementioned problems. Performance measures should:

- Be multidimensional rather than rely on only a few metrics
- Take into account team success, as well as individual contribution
- Include a subset of metrics that are multiyear goals.
- Be output measures rather than process measures
- Consider value added by an employee—that is, the difference between the inputs they receive and the outcome, not the outcome in isolation
- Be primarily under the control of the employee
- Use benchmarking when possible (goals tied to best practices).

In addition to front-line employees, the other groups of employees for which pay for performance has been analyzed in the business and economics literature are employee-owned businesses and high-level managers. In both cases, as we have indicated previously, profit or contribution to profit can serve as a performance measure. Other than in these situations, supervisors and managers generally have not been included in existing analyses of pay-for-performance plans in the private sector.¹⁶ Yet the success of the attempt to make the DoD civilian workforce more flexible, responsive, and productive hinges on the ability of a pay-for-performance system to motivate managers to carry out the difficult and sometimes unpleasant task of providing honest feedback to their staffs. It also depends on the even more difficult and thankless task of making salary decisions based on performance. Convincing managers to perform these functions when

16. In fact, it would appear that most managers in the private sector are not covered by pay-for-performance systems, except perhaps at the highest level. Most human resource guides assume that managers instead work under promotion-based incentives, in which performance over several periods forms the basis of promotions. Pay is associated with the job to which managers are promoted rather than with performance-based salary increases without a change in job.

(allegedly) they have been unwilling to do so under the existing system will require sophisticated performance metrics—and good leadership. Presumably, promotion opportunities for managers under a pay-for-performance system will be unchanged. Thus, promotion-based-incentives won't be any more likely to induce managers to perform these functions under a new system.

Soon there may be some empirical evidence on the degree to which pay for performance influences public-sector managers to change their behavior in desired ways. The same law that authorized NSPS also established a new performance-based pay system for members of the Senior Executive Service (SES), effective January 2004. The former six levels of SES pay were replaced by one pay band. The maximum SES salary was limited to the former level III (of six levels) of the Executive Schedule, *until* the agency put in place a new performance appraisal system. The new system must be certified by OPM as “one which, as designed and applied, makes meaningful distinctions based on relative performance [emphasis added].” Once an agency is certified as having such a performance system in place, the maximum for SES pay becomes higher, and a higher aggregate limitation on salaries applies to SES members.¹⁷

DoD was certified as having the requisite performance appraisal system late in calendar year 2004. The working of the new SES process may provide insight into the likely future impact of the NSPS broad-banding and pay for performance on supervisors and managers.

A final note: Acceptance of pay for performance and pay banding in the public sector requires both oversight of how the system operates and some minimum level of perception among employees that the process is fair. As yet, no oversight mechanism has been identified for managerial decisions on pay, and the design and implementation process for NSPS are not marked by an overabundance of trust. Oversight is particularly important to the appearance (as well as the reality) of a fair and equitable system.

17. See the OPM website: www.opm.gov/ses/compensation.asp.

Relative importance of pay for performance

Although the law authorizing NSPS clearly requires a pay-for-performance system, it does not delineate the details of the system. DoD efforts to design NSPS have not yet progressed to operational rules or instructions. At present, we do not know how much of the total compensation of civilian workers will be directly tied to performance ratings and how much will instead be tied to prevailing market wages or cost-of-living raises. It is also unclear how much discretion there will be for organizations within DoD to vary in the proportion of pay increases that will be based on performance ratings. In view of the difficulties of performance measurement and the need to build trust, it may well be wise to begin with a modest reliance on pure performance-based pay, until more experience is gained by both those making the performance evaluation and those being evaluated.

More empirical research is needed

This paper is noticeably lacking in references to empirical analyses or simulations of pay for performance systems for public-sector employees. This is because, except in the field of education and its relatively recent emphasis on test scores, there are few evaluations of performance-based accountability in government. Most of the existing research focuses on surveys of attitudes and beliefs of employees rather than attempting to evaluate outcomes.¹⁸ Currently, neither the costs nor the outcomes of performance-based pays are well understood.

Analysis and empirical research on the recruiting, attrition, and productivity of federal civilians under different incentives and management systems also are embryonic. Salary comparisons with the private sector are frequent, as are attempts to compare quality in the two groups. But management of DoD civilians has little of the rich modeling and statistical work that underpin military manpower

18. See Hamilton (2005), pp. 402-403, and the section in Koopman, Fernandez, and Marcus (2005) titled "Lessons learned from demonstration projects."

management.¹⁹ Even the major overhaul that is NSPS was preceded by virtually no systematic analysis, and it has been designed without modeling or simulation of alternate details or processes, or estimates of their impacts.^{20, 21} Although there is no shortage of books and articles offering advice and recommendations for improving management of federal employees, quantitative and analytic studies are few.

The flexibilities and advantages made possible by NSPS will not be realized unless a number of important issues are addressed, especially the issues of changing the incentives of managers in the system and ensuring that salary decisions under the new system are transparent and fair. Evaluations of personnel demonstrations have provided some insight, but far more analysis and empirical research are necessary to provide good answers to difficult design details. Developing design principles and goals is useful but not sufficient.

19. The effects of the federal employee retirement systems have attracted more analytic attention than recruiting, retention, and productivity. See Asch, Haider, and Zissimopoulos (2003) and Asch and Warner (1999). Occasionally, other topics are explored statistically; see Congressional Budget Office (1986).

20. Such simulations have been done in support of the Air Force Research Laboratory (AFRL) and Acquisition Workforce demonstration. Early in the process of designing NSPS, SRA International did a quick simulation for the Air Force on the then-proposed NSPS, based on a model it had developed in the course of supporting the AFRL demonstration. The results revealed some design flaws in NSPS. As far as we have been able to determine, no quantitative modeling or simulations have been done on the proposed NSPS since then.

21. This paucity of analysis continues to haunt the NSPS design, as unions continue to assert that the need for the proposed changes in personnel management has not been proven. The NSPS designers respond with anecdotes rather than systematic empirical analysis. See, for example, NSPS Program Executive Office, 9 September 2004.

Recommendations for Navy leadership

As we stated the outset, this paper does not attempt to provide a new strategic plan for Navy civilian employees or to develop new rules for managing them. Rather we suggest the means by which to achieve current strategic plans and to effectively use the new NSPS flexibilities. We recommend that Navy leadership stress the following in the management of Navy civilians:

- Leadership and people skills are crucial to motivate civilians to achieve their best. New civilian personnel rules and policies may enable better management of civilians, but there is little reason to believe that by themselves they will cause a change in management effectiveness.
- It is important to manage the managers. Line supervisors and managers need incentives and rewards for following good human resource practices, such as showing a willingness to seriously evaluate performance and actually base pay decisions on these evaluations.
- Analysis of the responses of DoD civilians to pay and management regimes is virtually nonexistent. The usefulness of such analysis when applied to military personnel argues that more research on civilians would be worthwhile.
- A body of knowledge exists regarding how to establish performance measures for nonmilitary employees and how to use these measures in managing employees. Human resource professionals are trained in this knowledge and are a good source of advice.
- The design of performance metrics should be done carefully, with due regard for possible unintended consequences, including an excessive focus on just a subset of goals or on short-term goals at the expense of longer-term goals.
- Performance metrics and evaluation are useful to performance management, but are not ends in themselves.

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