SMART CHANGE II:
Preparing the Intelligence Community Workforce
for an Evolving Threat and Fiscal Environment

INTELLIGENCE AND NATIONAL SECURITY ALLIANCE
SMART CHANGE TASK FORCE
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EXECUTIVE SUMMARY

In anticipation of declining defense and intelligence budgets as direct U.S. involvement in overseas contingency operations began to wind down in 2010, the Intelligence and National Security Alliance (INSA) constituted a working group of current and former senior intelligence officials along with senior industry and academic counterparts to analyze lessons learned in previous downturns. Their efforts resulted in the publication of the INSA white paper, Smart Change, in May 2011. While well-received, this initial paper was published before the budget challenges facing the U.S. government were fully understood. Current budget realities make clear that resources available for intelligence activities will continue to decline in the near-term, and despite the determined efforts of Intelligence Community (IC) leaders to protect the IC’s ‘total’ workforce, reducing its size and cost – both government and contractor – is unavoidable. To examine the challenges and opportunities associated with such a restructuring, INSA reconstituted part of its Smart Change Task Force (TF) to focus specifically on strategic workforce planning and closely related issues.

Over the course of the TF’s work, the IC has experienced the initial effects of sequestration, the furlough of some parts of the workforce, contract employees unable to perform important services without government supervision, a 16-day government shutdown, and the realities of a significantly reduced budget – all at a time when threats to the U.S. remain undiminished. These challenges reinforce the compelling need for the IC to continue its efforts to improve community-wide workforce planning and management.

INSA and its members applaud the efforts of the Office of the Director of National Intelligence over the past 10 years to shape an effective workforce – civilian, military, and contractor – to meet anticipated requirements of U.S. policy makers, along with military and law enforcement officials, and to have the agility and flexibility to respond to unanticipated challenges. The IC Chief Human Capital Officer (CHCO) has shown effective leadership in developing and updating the framework and vision for these community-wide efforts.

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The Smart Change II TF conducted four formal panel sessions and numerous interviews on such topics as industry best practices, acquisition strategy impact on manpower, and community-wide CHCO perspectives, during which several themes emerged, including:

- Budget reductions are a significant challenge, but they also offer an opportunity to drive change and refocus on the most critical issues.
- Reducing and reshaping the IC’s workforce must be tempered by a continuous assessment of strategic risk.
- Understanding that implementation of an overall strategy at different agencies will vary – one size does not fit all.
- Contractors are a critical component of the IC’s workforce, highlighting the need for meaningful public-private collaboration on its strategic capabilities and capacities.
- While each IC component may deal with budget reductions differently, the IC would benefit from an overarching organizing concept for its ‘total’ workforce.

Through these panel discussions, numerous interviews, TF discussions, and interaction with the IC human capital community and related offices, the TF developed several actionable recommendations for IC leadership to consider, including:

- Adopt a foundational workforce/total workforce model, similar to the Department of Defense base force/total force model, as the organizing concept for community-wide strategic workforce planning.
- Retain a hiring pipeline even in the face of budget cuts, to continuously ‘refresh’ the IC’s workforce and offer achievable professional development models and well-defined civilian career paths for new IC employees that will allow them to more easily move across agencies.

- Improve security clearance portability and encourage movement between the public and private sectors to gain/retain valuable new skills. HR offices should work with security officials to facilitate mechanisms for on/off ramps and transfer of clearances within and across the IC and industry.
- Formalize an increased dialogue and collaboration between senior IC leadership and industry on total workforce issues. The DNI could meet annually with CEOs from the top 20-25 IC contractors to facilitate a leadership-level public-private dialogue on key issues, including strategic workforce requirements.
- Create an IC business board, modeled on the Defense Business Board, to increase public-private collaboration and facilitate an understanding of the human capital capabilities that the IC needs, as well as other types of products and services needed by the IC and/or being developed by industry, as well as the types of products and services being developed by industry.

- Include acquisition professionals in addition to HR professionals in government-industry dialogue to connect acquisition trends to the IC’s broader workforce strategy and with agency mission accomplishment. Going forward, workforce planning can and should be linked to acquisition models.
- Standardize internal agency contracting processes community-wide to the greatest extent possible to decrease overall contracting cost to the IC. The process to standardize may include terminology, strategic planning processes, hiring processes, and the creation of skills databases.
INTRODUCTION: THE BUSINESS CASE FOR SMART CHANGE

Background: The IC has experienced significant growth since 9/11, with the combined National Intelligence Program (NIP) and Military Intelligence Program (MIP) budget more than doubling since 2000 to over $80 billion. Associated with this growth, the size of the IC workforce increased dramatically during the period from 2001 – 2010. Since the workforce expanded so rapidly after the downsizing in the 1990s “peace dividend” years, replenishing its ranks and compared to the Cold War expanding the range of its capability. The IC now has what is arguably the most capable, diverse, and expeditionary workforce in history.

However, the global recession, the U.S. financial crisis, and the resulting federal budget reductions are forcing the IC to contract in the near-term. The 2011 Budget Control Act mandated $500 billion in defense spending cuts over 10 years, of which the IC has to take its share. The FY2013 and FY2014 budget requests reflect this reality, as does the White House’s February 2012 Defense Strategic Guidance, which outlines plans to reduce defense manpower and funding over the next two years. Furthermore, individual components of the IC will likely face dramatic cuts through FY2017, which are expected across the board with little managerial discretion – a repeat of the deep ‘salami slice’ cuts that so emasculated the IC in the 1990s. The uncertainty around the scope, timing, and duration of the cuts will also make it difficult to adequately plan and prepare. In this environment, preserving the existing workforce is problematic, but maintaining a balanced workforce is imperative.

In addition to fiscal concerns, the United States is facing a dynamic threat environment. With the wars of the past 12 years winding down, the IC must shift the primary focus of its intelligence mission from tactical near-term requirements to strategic and long-term challenges, such as the pivot to Asia, cyber warfare, threat financing, and big data – all without lessening its counterterrorism vigilance. As the IC begins to contract, it must simultaneously maintain and enhance its capabilities amid a growing, multifaceted array of threats to U.S. national security.

Change as opportunity: Shifting mission requirements and budgetary changes provide the chance to make the IC a more strategic and agile enterprise, which requires IC leadership to consider a number of strategic workforce planning strategies. These can range from the minimal to the maximal, from matching existing positions with current priorities to the implementation of a strategic workforce model. The implementation of a strategic workforce model requires more effort in planning and initial implementation, but reaps potentially greater rewards by defining basic workforce composition, thus simplifying future workforce planning. Whichever strategies or methods the IC leadership chooses to plan for its future, it should begin taking steps now to determine and implement a viable workforce strategy.

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It is impossible to fully anticipate future missions and threats, or engineer a workforce that is perfectly flexible, but any changes to the workforce should be made surgically and strategically, not indiscriminately. The dramatic changes within and around the IC, along with the budget challenges, provide the impetus and means to seize this opportunity to change the IC for the better. The IC CHCO continues to demonstrate effective leadership, guidance and vision to sustain the great progress by the ODNI over the past decade in improving community-wide workforce planning and management.

One size doesn’t fit all: Even with an overall IC workforce planning strategy, each U.S. intelligence agency requires a unique implementation solution because each has different personnel requirements. Agencies may need to internally recalibrate and weigh new mission requirements against different skill sets. This recalibration must include all elements of the IC workforce to include civilians, military, external contractors and federally funded research and development center (FFRDC) personnel. Appropriate balance needs to be the goal; reducing the footprint of any of these groups without a guiding set of strategic principles that take their integral role into account risks the loss of core capacity and capability – the IC’s version of the Defense Industrial Base – which cannot quickly be replaced. Consequently, each group, especially contractors and FFRDCs, will need strategic direction from government to better meet short- and long-term staffing challenges, as well as surge requirements.

Foundational Workforce/Total Workforce Model: One potential model for strategic workforce planning is the Foundational Workforce/Total Workforce Model. Similar to the Base Force/Total Force model used by the Department of Defense to sustain capability in the face of major reductions in the 1990s, the foundational workforce is built around enduring, long-term human capital requirements, especially those that cannot be easily or quickly recovered once lost. Members of the foundational workforce can range from highly trained, multilingual senior analysts and covert operatives undertaking mission critical activities, to all of the various mission support activities that enable them, including critical positions filled by civilian employees, independent consultants, contractor personnel, and active duty, guard and reserve military members. All are integral to numerous IC activities and must maintain a set of long-term core capabilities, some of which are very specialized and IC-specific.

In terms of both size and composition, the foundational workforce should remain relatively stable over time and be driven by our national security strategy. Because the foundational workforce represents enduring human capital requirements, it should be defined and delineated in close collaboration with the Congress and the Office of Management and Budget – in other words, it should be anchored by bipartisan support across the executive and legislative branches of the government and private sectors, and as such, should remain relatively immune from budget cuts. Meanwhile, the total workforce is the sum of all human assets that contribute to the IC’s mission at any given time. Thus, while the foundational workforce should remain fairly constant in the long term, the total workforce can surge or shrink to meet short-term needs, projects, missions, and budget exigencies.
SECTION 1: STRATEGIC WORKFORCE PLANNING

The IC workforce plays an integral part in achieving our national security mission. Comprised of civilians, the military, external contractors, and FFRDC personnel, the IC workforce must be flexible and creative to meet rapidly changing mission requirements. Many knowledgeable observers of the IC are optimistic that this fiscal downturn is a chance to reshape the IC’s human architecture in a way that more closely links manpower capabilities with mission requirements.

The fundamental issue is how to transform the IC human resources (HR) function from reactive and transactional to proactive and strategic. CHCOs try to ensure the optimal mix of personnel and skills, but often manage workforce expansions and reductions without adequate guidance about the IC’s long- and short-term needs. Lacking a strategic vision and following the current imperatives to reduce expenditures, IC hiring practices may create retention problems and a tenure gap, or the “bathtub effect.” Ideally, the workforce should be flexible enough to absorb short-term shock, while addressing dynamic and fluid long-term mission requirements. The goal must be to integrate mission critical elements with those that must be available as a hedge against future requirements. This necessitates the creation of an overarching workforce strategy based on concrete metrics to guide the transactional manpower decision-making of HR professionals, providing coherence to their efforts. IC leadership must take the lead in this respect, but can choose from a variety of workforce planning approaches that ameliorate these problems. For example, the Foundational Workforce/Total Workforce Model creates a strategic vision through the definition of the foundational workforce while remaining flexible enough to address future requirements by allowing the size of the total workforce to vary in accordance with dynamic mission requirements.

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Establish the Baseline (Current Capabilities)
Envision the Future (Requirements)
Identify and Analyze Current and Future Gaps
Develop and Execute HC Strategic Plan

Continually Communicate, Monitor, Evaluate...Periodically Update
Those who participated in INSA panel discussions identified several essential elements, tools, and best practices the IC can utilize to drive the move toward a workforce able to meet both current and future needs:

**Leadership:** IC leadership must lead the drive to reshape the workforce toward a particular strategic model, providing the vision and tools for a smart transition. As a hedge against shorter than expected tenures, leadership should also create succession plans for each agency’s key leadership positions (something the ODNI’s Deputies Executive Committee, DEXCOM, began in 2009) to ensure a common continuity of vision across personnel moves, following industry’s lead. Most importantly, leadership must determine which workforce capabilities are essential and what are expendable, and plan accordingly. Under the Foundational Workforce/Total Workforce Model, IC leadership would determine what elements of the IC comprise the foundational workforce (including contract capabilities) and what comprises the total workforce. Once this is done, the information should be publicized appropriately.

Implementing any strategic workforce model requires buy-in from senior officials at all agencies. Agency heads could increase their level of communication by leveraging the ODNI’s Executive Committee (EXCOM) and DEXCOM leadership groups to create and implement a strategic vision through actionable goals and plans. Furthermore, overall IC leadership should champion implementation, provide agency CHCOs with the resources, tools, methods, and protocols to execute their vision, and then hold them accountable for results. This requires a two-way channel involving HR, senior leadership, and program management and would allow the group to review strategy and provide meaningful input so these plans can be communicated more easily later.

**Workforce Assessment:** As part of developing an overarching strategic plan, the IC should leverage its taxonomy of common occupational competency models to assess the workforce itself to determine what personnel and skills exist and where they are located in the total workforce. To determine what is lacking, leadership and HR should have comprehensive metrics on current capabilities, which entails tools and models for accurate and fair employee evaluation. This is integral to all strategic workforce strategies, particularly when implementing the Foundational Workforce/Total Workforce Model, as it relies on a strong definition of a foundational workforce, down to the capability and competency level.

Currently, the ODNI and other agencies are making significant and ongoing efforts to map the government workforce to provide guidance for future workforce decision-making. Strategic workforce plans are developed annually at some agencies and could be considered for use as a method for other agencies. However, this process has been slow because many agencies either lack data on their own workforce or are not sharing this information with other agencies and the ODNI. Furthermore, IC
workforce mapping should also include contractors, core and non-core (the regulatory basis for this already exists in IC Directive 612), and FFRDCs. In contracting for services, the IC should be biased towards asking industry for “solutions” to a need vice looking for “staff augmentation.” This will allow bidders to offer acceptable solutions with best practices and lowest costs. It is more important to focus on making sure the right skill sets are available to achieve the desired outcomes, rather than assuming manpower needs are being met if all seats are filled. CHCOs have noted that while HR is not lacking in metrics, there are few ways to make their data actionable. There may be confusion as to what is actually being measured and what should be measured in order to improve the IC’s performance.

Analyzing the IC workforce also necessitates examining the IC’s organizational structure and the length and layers of the reporting chain. To streamline the IC, leadership should conduct a top-line analysis of its management levels – including the ratio of managers to employees and the number of management layers between the frontline workforce and leadership – and the duties and incentives of managers. In doing so, those employees and IC elements critical to achieving mission success will become clearer. With regard to the Foundational Workforce/Total Workforce Model, some of these managerial positions may fall within the purview of the foundational workforce, while others may not. The National Geospatial-Intelligence Agency’s (NGA) objective force model may be a good starting place for consideration.

**Duplication of Effort & Skills Obsolescence:** In an era of shrinking resources, IC workforce metrics should also address the existing duplication of efforts within and across agencies. This is one of the most significant problems facing the adoption of the Foundational Workforce/Total Workforce Model. A foundational workforce would include the most critical positions for the IC to achieve long-term mission objectives, but it also means the IC must expose and resolve duplication and redundancy on two levels: Mission and mission support. The former focuses on operational effectiveness (for example, when does “competitive analysis” on a particular intelligence topic by multiple agencies become redundancy?), the latter on administrative efficiency, especially cross-agency shared services.

In the interest of creating an effective workforce, the IC must identify employees with obsolete capabilities and either retrain them or let them go.

The consolidation of efforts is especially difficult in downturns, as each player attempts to defend his or her own turf and capabilities, limiting open communication with the DNI and thus hindering attempts at community-wide change. The industry panel identified consolidation and shared services as best practices that should be examined. The IC could similarly consider consolidating its capabilities as it reshapes the workforce. Within government intelligence agencies, employees are rarely let go, even if they are on probation for poor performance. In the interest of creating an effective workforce for the future, the IC must identify employees with obsolete capabilities and either retrain them or let them go. This aligns with the industry best practice of eliminating skills duplication, redundancy, and obsolescence. Both options may face considerable resistance, thus reinforcing the need for strong leadership.

**Management Levels:** It was the sense of many panel participants that middle management grew very rapidly after 9/11. Panel members suggested that not only are there often too many layers between top and bottom levels of organizations, but that some middle managers lack direct linkage with mission outcomes. Changes in workforce composition, such as the implementation of a Foundational Workforce/Total Workforce Model, will likely impact middle management to protect a larger percentage of frontline workers, or the foundational workforce, who facilitate a service or make a product. To reinforce desired leadership behavior, middle managers should be rewarded for responsible management and achieving strategic objectives. Assessment of management levels is appropriate because one size does not fit all.

**Workforce Pipeline:** Maintaining an adequate workforce pipeline is essential, which requires effective hiring, on-boarding, development, and deployment of entry-level employees, even while budgets are shrinking. The Smart Change Task Force identified industry as having a good long-term model for maintaining and expanding
critical skills during this downturn, often forecasting the need for important skill sets that would adversely affect mission accomplishment if hiring were reduced too quickly – or frozen altogether. Industry panelists all emphasized the need for an open, consistent hiring pipeline to meet both current and anticipated requirements, no matter how difficult budget cuts may be.

Beyond hiring, there are other considerable impediments to maintaining the workforce pipeline. The IC does not provide enough support for employees just beginning their careers. There are few meaningful professional development programs in place to help employees hone their mission-critical skills, develop new skill sets, and advance in the workforce. In addition, outdated institutional barriers prevent employees from leaving the IC to seek new experiences and skills, even when they intend to bring this new knowledge back to the IC. There is a need to develop workforce programs that engage young IC employees and create avenues for them to return to the IC after gaining private sector experience. The IC needs to maintain effective professional development and mentoring programs for new employees and continue it throughout their careers. In spite of a budget downturn, it is essential to maintain funding. While these recommendations are applicable to anyone working in the IC, they are most critical for employees beginning their careers:

**Retention:** To avoid loss of critical expertise, the IC should focus on developing a career path for civilian intelligence professionals into midlevel leadership positions and reduce the reliance on mid-career hiring of personnel with little or no experience within an IC agency. Alternatively, a parallel track could be developed for those with technical expertise that would allow them to progress based on their technical excellence, rather than force them to be managers. Many employees complain about artificial ceilings. As the general economy begins to recover, government and industry risk losing top IC talent if there is no strategic plan in place to retain them. Retention is essential to the maintenance of a foundational workforce capable of accomplishing long-term mission objectives, as the erosion of the workforce’s foundation will compromise all strategic planning. Just as in the military, joint duty assignments are essential to sustained interest and retention.

**On/Off Ramps:** Strategic “on/off” ramps – which allow government employees to come back into federal service after working in the private sector – would help increase employee mobility. Leaving the IC is often seen as a loyalty issue, even though allowing members of the IC workforce to gain industry experience increases their future value if they return to government. Admittedly, there is a fundamental tradeoff between mobility and training – it takes time to train an analyst or an acquisition officer, but rotations offer added-value experience. HR must create the proper mechanisms to ensure that employment flows in both directions between government and industry.

To this end, the Defense Intelligence Agency (DIA) is currently exploring ways for employees to maintain their security clearances while getting industry experience so they can more easily return to DIA. These “open door policies” are a best practice other agencies should consider implementing. DIA is also considering creating a
database of existing DIA personnel that would categorize and list the skills of every employee so they could be more easily identified for re-recruitment. Similarly, security clearance portability can be problematic: the clearance process hinders the mobility of all people working in the IC because clearances are often specific to certain agencies or certain projects. This further disincentivizes flexibility, which contributes to a workforce with stagnant skills and with relatively high turnover rates among entry-level employees. Re-recruitment programs, the establishment of rotations, and better reintegration into home agencies will all help address this problem.

**Promotion:** Opportunities for promotion are also essential to retaining promising employees and developing a viable workforce in the long term. Promotions are often based on rank rather than competencies, even though experience shows merit employees may have more relevant skills for new IC problems, such as cyber security. Various agencies have been trying newer promotion models based on rank-in-person, rather than rank-in-position. Rank-in-person offers the most flexibility, but also necessitates the most discipline because it requires understanding individual skill sets so IC professionals can be tasked appropriately. The military and the State Department’s Foreign Service both successfully use hybrid models, while the CIA and NSA have adopted a model similar to rank-in-person.

The Task Force recommends that agencies should expand their use of rank-in-person models or hybrid approaches where appropriate. Another best practice for successful internal development is to focus on centralized hiring systems: DIA implemented a centralized hiring approach that also encouraged hiring and promotion from within. As a result, DIA now hires nearly 50 percent of vacancies from its own internal pool, up from 23 percent. This has been critical to developing, shaping, and retraining its workforce. NSA and NGA are currently exploring similar programs. There are best practices but they are not universal. Selection should be based on merit and the chosen career path. Career paths may differ, but they should be glued together by standards with job definitions, demonstration, and training that is homogenous across the IC.

**SECTION 2: PUBLIC-PRIVATE PARTNERSHIP**

One of the most critical challenges the panel addressed is how to enhance coordination between government and industry. Ideally, the two should work together to ensure industry has a cost-effective and sustainable workforce capable of augmenting mission-critical gaps in the government workforce. Such a partnership requires not only a shift toward long-term planning, but also greater communication and transparency on the part of both government and industry.

In the current environment, with increasing restrictions and fewer opportunities for interaction, the gap in understanding between government and industry seems to be increasing. On a broader level, the lack of interaction between government and industry hampers the creation of a unified IC workforce positioned strategically to achieve mission success.

**Lack of Guidance:** One of industry’s fundamental problems is the absence of direct insight to strategic manpower planning by the government. As a result, industry often bases its workforce decisions on intuition and past practice, unsure where to focus priorities without knowing where the government has built up its own capabilities. Given the lack of guidance, industry may not be ready to meet the government’s mission-critical demands when they arise.
Cyber intelligence currently exemplifies this trend. Industry’s challenge is that the government creates the market and, in some cases, can create hyper markets where workers are able to shop for the highest salaries at different contracting firms. The market for cyber has become extremely competitive because the government has not given concrete guidance to industry about the direction of the cyber workforce, including whether the government itself will try to insource capable experts. Combined with the high salaries for cyber talent, this hinders industry’s overall ability to determine where opportunities lie and build a capable cyber workforce overall.

Open Dialogue: Industry lacks government guidance because communication between government and industry is not as transparent or open as it could be. Industry is not privy to the IC leadership’s strategic level dialogue about building a different community, which causes frustration for industry partners. This is often a simple lack of senior-level communication. As the government has in-house leadership planning sessions, it would be helpful to create face-to-face opportunities for industry leadership to meet with its government counterparts. The government should help manage expectations, minimize disruption, and prevent surprise by periodic and predictable interaction and communication. At the same time, this relationship needs to be reciprocal — when government shares information, industry needs to do the same. Industry partners are wary to share knowledge of their workforce base for competitive reasons, but there are ways of doing so without endangering company competitiveness.

Role of Contractors: A more effective government-industry partnership needs to work both ways. Industry contractors should recall their roots in the public sector and utilize market-based tools to enable government to be more proactive in cutting costs and shaping capabilities. Industry is aware of the coming consolidation and should attempt to be proactive rather than reactive.

Role of CHCOs: The role of CHCOs is essential to the communication process. Government agencies need to be sure CHCOs are an integral part of their strategic planning efforts, not an afterthought. The CHCOs, in turn, need to share information about long-term workforce requirements with industry. Having CHCOs partner with industry by communicating government workforce needs and strategy will help industry guide and shape the private sector portion of the IC workforce.

There are also several specific stumbling blocks currently impeding a successful public-private partnership:

Transactional execution: The government has a tendency to build the contractor workforce on a contract-by-contract basis, which inhibits the development of a holistic, integrated, and strategically-guided approach to the contract workforce. HR tends to focus on building the civilian government workforce at the expense of building an integrated workforce that considers both government and industry. A longer-term strategic plan incorporating private sector inputs and communicated to industry would help industry leaders anticipate personnel needs and thus avoid employment peaks and valleys.

Consolidation: Another problem area is the lack of consolidation among government clients. Agencies often require similar yet slightly different capabilities. Industry members must be ready to provide staff to meet these distinct needs across IC agencies, which hinders industry’s ability to provide appropriate services. A consolidated, ‘shared staffing service’ managed by an executive agent on behalf of and for the entire IC would ameliorate some of industry’s challenges. This could range from a minimal approach where agencies share information on hiring needs and candidates to a comprehensive approach in which a centralized staffing group handles hiring and strategic planning across agencies. The industry panel also identified a need for greater consolidation amongst agencies themselves because of reduced budgets.
If the IC continues to push the narrative of cost-effectiveness, it will have greater financial leverage to reshape the workforce in a meaningful way.

Ethics laws: While designed with a positive goal in mind, government ethics laws have had the unintended consequence of complicating the partnership between government and industry. Government’s concerns over favoritism have led to the elimination of government-sponsored industry days, government’s nonparticipation in industry outreach events, an elimination of government-to-industry advisors, and a decrease in meaningful dialogue and interaction between government and industry.

To increase communication between government and industry, panel members have recommended exploring the following options:

Point person: IC agencies should consider designating a senior agency official as head of industry relations. This person could help companies navigate complex and classified government organizations, appropriately vet requests, refer them to the right organizations for action, and explore other avenues for increased interaction between government and industry. Some agencies have established partner engagement elements for this purpose, but a more uniform approach would be helpful. Such a government point person could also encourage and support government’s participation in meaningful industry days with substantive dialogue for insight on IC trends, in addition to sponsoring joint government-industry opportunities for professional development. This could extend to MBA classes at well-respected business schools or other IC-specific training. Even though this is a critical aspect of professional development that helps bridge the gap between industry and government counterparts, it is an area in which the IC does not have sufficient representation.

IC Business Board and CEO Roundtable: The IC should consider creating a new IC Business Board modeled after the Defense Business Board, which brings together some 20 private sector leaders with a vast range of experiences in business management. The IC Business Board would bring together current IC executives from both sides of the public-private sectors. It would provide independent advice, reflecting an outside private sector perspective, on proven and effective best business practices for application to the IC. Additionally, the DNI should consider holding an annual meeting with the top 10-20 industry CEOs on broad public-private partnership issues, including strategic workforce planning. This would enhance strategic leadership-level dialogue across the public and private sectors, giving industry insights into the government’s vision of a strategic IC workforce.
SECTION 3: INTEGRATION

In light of the federal government’s fiscal challenges, the IC should consider innovative strategies to cut costs and increase the productivity of its workforce, while implementing a strategic workplace plan with an integrated approach at the acquisition level.

To obtain a greater level of productivity for less, the IC can incentivize innovation as part of the contracting process. Agencies can encourage all contractors — large and small — to provide additional proposals and produce white papers featuring less expensive ideas to produce high-quality results. To inform inevitable mergers and acquisitions as industry compresses, the IC can also consider the development of industrial base requirements. Leveraging technology to measurably increase productivity can also be instrumental in maintaining the strength of the workforce while otherwise cutting costs. If the IC continues to push the narrative of cost-effectiveness, it will have greater financial leverage to reshape the workforce in a meaningful way. The pace of innovation in the private sector in such areas as IT and cyber R&D is moving at light speed. Developing methods and forums that make this innovation discoverable by the IC is critical.

Acquisition: Acquisition personnel are instrumental to cutting costs within the IC because they are intimately tied to strategy implementation and are responsible for NIP-funded acquisitions. Acquisition personnel can function most effectively when they partner with those doing long-term strategic planning. They can help move the strategic process forward with more guidance from above.

The IC acquisition workforce has made significant improvements since the end of the Cold War, including: uniform taxonomy for evaluating contacts and deciding on rate structures and salaries; consolidation of overlapping or redundant contracts; approval requirements to deviate from established standards; and available metrics on the number of contractors and contracting officers within the community.

While there have been major advances, a number of challenges remain for the acquisition community:

Communications Disconnect: A fundamental disconnect exists between acquisition, HR, and IC leadership with regard to manpower planning, partly because there is no integrated strategic plan emanating from IC leadership. As a result, the government may not know what products or capabilities industry can provide, and which could enhance mission successes, as noted in Section 2. Similarly, they may acquire products that do not further the mission. A strategic plan and coordinated guidance should link contracting officer purchases with the mission and show how acquisition facilitates the mission. The acquisition panel highlighted NSA as having an effective model that links acquisition professionals more closely to mission requirements – NSA requires its project managers to be intimately aware of all products being delivered, and emphasizes site visits in doing so. Including acquisition and HR specialists in the broader government-industry communication channel connects purchases with a broader workforce strategy and helps to ameliorate this communications disconnect. Going forward, workforce planning can and should be linked to acquisition models.

Agency Coordination: This communications disconnect is also felt at the agency level, where greater coordination would decrease overall costs. This would entail government leaders using common terminology, strategic planning processes, skills databases, and hiring processes, while sharing knowledge of their skills and gaps to help identify overlaps. Coordination has been one of the fundamental challenges with cloud computing
infrastructure, as it is difficult for the government to do licensing with multiple agencies and obtain a buy-in from them all. In addition to logistics, significant legal issues and liability concerns hinder multiple agency delivery.

**Long-term Outcomes, not Short-term Processes:** In terms of contracts, “best value” should be redefined as producing the desired outcome at the lowest cost. Current staffing practices are revealing: rates factor more heavily than performance in determining which company gets a contract, but it is very difficult to assess best value by rates. The government often mandates a certain level of experience be written into contracts. While two inexperienced people may be less costly on a contract than one very experienced person, that one subject matter expert may be able to complete a design or resolve a critical issue in less time. Emphasizing processes in the short-term undermines the outcome in the long run by decreasing efficiency and raising contract costs. A focus on the outcome should give industry greater freedom and flexibility to shape its workforce to provide better value to the government.

**Acquisition Metrics:** In the shift to focusing on best overall value, the acquisition workforce must employ metrics to properly measure outcomes – instead of just numbers and prices – to ensure that leadership’s strategic plan is being executed. By using the appropriate metrics, acquisition can aim to reduce costs that do not affect a contract’s outcome. Artificial caps, full-time equivalent employees (FTEs), and requirements and restrictions on contracts create distortions and prevent contracts from being pursued strategically. For example, the government requires an 18 percent small business requirement on contracts. However, this metric does not count small business as part of a contract if they are a sub instead of the prime, which can cause false economies.

**Security Clearance Process:** As noted in Section 1, the security clearance process for contractors should be improved and simplified. The panels recommended that clearance eligibility should reside in person, rather than in contract. This would allow contractors more flexibility to move personnel across contracts within the IC. Alternatively, contracts could be delineated across clearance levels so employees could be brought in at the unclassified level. Projects could be simplified if there were unified clearance levels across the program, or if there was a pool that allowed the government to identify and clear those with a demonstrated capacity for a set period of time. Regardless, it is clear that the lack of portability of security clearances for contractors impedes efficiency and agility, and ultimately costs the government and the American taxpayers significant resources.

**Acquisition Workforce Career and Skill Base:** Emphasizing career path development for acquisition professionals is important in creating a sound, skilled workforce and capable leadership cadre. Credentials are currently the key criteria for selecting contract officials. This creates a “check-the-box” culture where professional development, skills, and experience are less important than having the right certifications. As government leadership training is largely ad hoc, the IC needs to think more broadly about mentorship and management training programs in the field of acquisition and include HR in the development and implementation of these programs.

The IC can use fiscal downturn as an opportunity to transform its manpower planning from a transactional entity to a strategic enterprise.
CONCLUSION

Reduced government budgets and a capable, confident IC workforce are not mutually exclusive. There is no doubt the IC will have to adapt as a result of the fiscal downturn, but the IC can use this opportunity to transform its manpower planning from a transactional entity to a strategic enterprise. This requires a unified vision and a concrete implementation plan coming from IC leadership. In formulating and executing their own vision of the future, leadership should consciously work to increase the level of integration and communication among critical IC components – like HR and acquisition – in both government and industry.

Institutionalizing a model such as the Foundational Workforce/Total Workforce Model in the IC would address many of these disparate issues. The foundational workforce is strategy-driven and focused on enduring threats to U.S. national interests. Having a well-defined foundational workforce assures decision makers that the capacity and capability to protect national security interests exists, and it enables them to understand the basic needs, capabilities, and limitations of the force. Furthermore, staffing to meet base requirements will actually reduce the waste and bloat of overstaffing, as well as counter the risks of understaffing. This will reduce personnel costs and save money over time.

Finally, planning in the IC would become more manageable with a Foundational Workforce/Total Workforce model. By virtue of establishing a foundational workforce, the IC’s senior leadership will know what the foundational workforce can do, where skills are located, how basic capabilities can be aggregated, and when they need to be augmented. It becomes easier to identify which foundational workforce capabilities to build over time, thus simplifying the strategic workforce planning process for CHCOs and the IC HR function in the long-term. A well-defined foundational workforce will also better inform congressional manpower authorizations and enable better justification of requested manpower limits.

Clearly defined intelligence goals and priorities, as well as the capacity and core capabilities to achieve them, make the IC a more strategic enterprise. The IC could even adapt some of its existing elements to ease the transition to the Foundational Workforce/Total Workforce Model, such as retooling its “core” and “non-core” designations to fit the new model. At the same time, the IC can begin building its own strategy and doctrine around the foundational workforce and the total workforce, as well as the strategic reserves to support it. This model provides the IC more flexibility, but also a greater sense of the IC’s future direction. By planning ahead, the IC will come out of the downturn leaner and stronger, better positioned to achieve mission success at less cost, and well-positioned to defend any further reductions to a well-defined foundational workforce.

The SMART Change Task Force makes the following actionable recommendations to the IC Leadership:

**Strategic Workforce Planning**
- Consider adopting a Foundational Workforce/Total Workforce Model as its organizing concept for a community-wide strategic workforce plan. The parameters and properties for this model could be a focus of the Quadrennial IC Review and the Quadrennial Defense Review.
- Leverage existing leadership forums within ODNI such as EXCOM and the DEXCOM to promote the proactive formulation and implementation of a comprehensive workforce roadmap for FY2015 and beyond, to be reviewed on an annual basis. HR components should have a meaningful role in the discussion and be empowered by leadership to produce tools and methods to implement this roadmap.
• Retain a hiring pipeline and develop achievable professional development models and established civilian career paths for new IC employees so they may more easily move across agencies throughout their career. Where appropriate, agencies should expand the use of rank-in-person or hybrid models of promotion. Use standards across the IC to promote commonality and fluidity in merit-based career pathways to the top.

• Implement a system of collecting and evaluating scalable metrics to measure workforce planning progress and performance across the larger IC agencies, and make corrections where required.

• Improve security clearance portability, which allows employees to move more easily between the public and private sectors and gain valuable new skills. HR officials, in coordination with their security colleagues, should develop community-wide common standards to ease movement of personnel between government and industry with a priority for rehire once they gain valuable industry experience.

Public-Private Partnership
• Formalize an increased dialogue between senior IC leadership and industry. The DNI could meet annually with CEOs from the top 20-25 IC contractors to develop a leadership-level public-private dialogue on key issues, including strategic workforce requirements.

• Continue and enhance government-sponsored industry days that incorporate substantive dialogue and insight on future IC trends, including government outlook on future skills requirements, workforce shaping, and retention.

• Create an IC Business Board, modeled on the current Defense Business Board, to increase public-private cooperation and to facilitate an understanding of what types of products government desires and the types of products industry is developing.

• Explore further opportunities for collaboration between government and industry by enacting joint professional development opportunities, such as joint MBA classes at respected business schools.

Integration
• Develop mentorship and career development programs to enhance acquisition professionals’ career track, and encourage formalized training for young acquisition professionals.

• Include acquisition professionals in addition to HR in government-industry dialogues to ensure contracting officer purchases are well-linked with agency missions. This requires linking acquisition models to strategic workforce planning.

• Focus on acquiring products and services that produce the desired outcome at the lowest costs as opposed to focusing on rates in the short term. Leverage technological advancements to measurably increase productivity, and collect performance metrics to measure productivity outcomes and best values.

• Improve security clearance portability so that cleared individuals with required skills sets may move more efficiently and effectively across contracts.

• Standardize internal agency contracting processes to the greatest extent possible to decrease overall contracting costs to the IC. The process to standardize may include terminology, strategic planning processes, hiring processes, and the creation of skills databases.

SMART Change Task Force: INSA formed the SMART Change Task Force in 2010 to provide a forum where stakeholders across the IC could discuss and analyze lessons learned from the 1990s “peace dividend” years. After the publication of the May 2011 white paper entitled SMART Change: Lessons of the Past; Direction for the Future, the Task Force decided to focus more closely on manpower and shaping the IC workforce of the future. To this effect, each of SMART Change II panels and individual interviewees and other forums provided their respective views on these issues and suggested ways of addressing these challenges. The Task Force consolidated those perspectives and identified several common themes, which form the basis of this paper. These themes revolve around improvements needed in the areas of strategic workforce planning, public-private partnerships, and integration.
PANELISTS

Chair
Mary Sturtevant, Lockheed Martin Corporation

First Panel: Chief Human Capital Officers
Mary Kay Byers, Defense Intelligence Agency
Tim Clayton, Department of Defense
Elizabeth Kolmstetter, Central Intelligence Agency
Alex Manganaris, Office of the Director of National Intelligence

Second Panel: Industry
Rick Ambrose, Lockheed Martin Corporation
Joan Dempsey, Booz Allen Hamilton
Babs Doherty, Eagle Ray, Inc.
John Forsythe, Deloitte Consulting LLP
Jake Jacoby, CACI
Larry Prior, Computer Sciences Corporation

Third Panel: Acquisition
Gemma Berdahl, Central Intelligence Agency
Tracy Maloney, Office of the Director of National Intelligence
Kelly Pickering, Office of the Director of National Intelligence
John Sammartino, National Reconnaissance Office
Jennifer Walsmith, National Security Agency

PARTICIPANTS

Charlie Allen, The Chertoff Group
Hugh Bolton, Advanced Technical Intelligence Center
Cindy Bower, Retired U.S. Government Executive
Sue Bromley, Retired U.S. Government Executive
Mary Kay Byers, Defense Intelligence Agency
Jeanine Callahan, Eagle Ray, Inc.
Tim Clayton, Department of Defense
Mary Corrado, Deloitte Consulting LLP
Tony Cothron, General Dynamics IT
John Custer, EMC Federal
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Terry Roberts, TASC
Terry Ryan, VT Group
Ron Sanders, Booz Allen Hamilton
Jim Seacord, Office of the Under Secretary of Defense for Intelligence (On detail at Defense Intelligence Agency)
David Shedd, Defense Intelligence Agency
Lewis Sheppard, Microsoft
Bryan Smith, House Intelligence Committee
Judy Smith, Exelis, Inc.
Anthony Spadaro, Spadaro & Associates
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Kathy Warden, Northrop Grumman Corporation
Scott White, Northrop Grumman Corporation
Austin Yamada, Virginia Tech Applied Research Corporation

Involvement as a Panelist or Participant does not imply personal or official endorsement of the views in the paper by any individual or his/her respective parent organization(s).
ENDNOTES

1 “Bathtub Effect” was also described in SMART Change I as the time when, during the downturn in the 1990s, almost every agency in the intelligence community underwent significant reductions and congressionally mandated hiring constraints that in retrospect created dramatic workforce anomalies requiring subsequent surge staffing.

2 INSA SMART Change II CHCO Panel, 3/15/2012

3 INSA SMART Change II Acquisition Panel, 7/27/2012

ABOUT SMART CHANGE II

INSA created the SMART Change Task Force in 2010 to provide a forum for stakeholders across the Intelligence Community to analyze the lessons learned during the “peace dividend” years of the 1990s and to explore best approaches for government budget decisions in a challenging fiscal environment. Following the success of the May 2011 SMART Change I Task Force white paper, “Smart Change: Lessons of the Past, Direction for the Future,” the Task Force reconvened as the SMART Change II Task Force in September 2011. Under the current leadership of Mary Sturtevant (former Intelligence Community Senior Executive), the Task Force aimed to generate critical debate on strategic workforce planning through three panels focusing on CHCO, Industry, and Acquisition. These panel sessions with senior leaders in the public and private sectors illuminated IC manpower challenges and led the task force to make recommendations to policy makers going forward to improve community-wide strategic workforce planning and management. The culmination of these panels and recommendations is the May 2014 SMART Change II Task Force white paper, “SMART Change II: Preparing the Intelligence Community Workforce for an Evolving Threat and Fiscal Environment.”

ABOUT INSA

INSA is the premier intelligence and national security organization that brings together the public, private and academic sectors to collaborate on the most challenging policy issues and solutions.

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