A CASE STUDY OF THE STAKEHOLDER CONCEPT

WITHIN THE MIKE MONRONEY AERONAUTICAL

CENTER OF THE FEDERAL AVIATION

ADMINISTRATION

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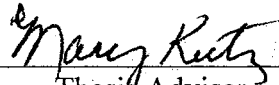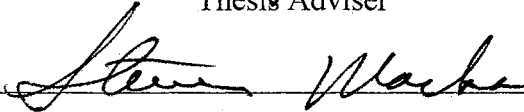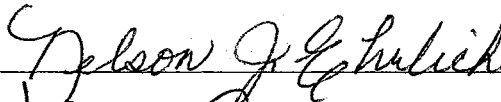the requirements for
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There are hundreds of others I need to thank, and once the dust settles, I intend to.

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INTRODUCTION

Governmental organizations, like their private sector counterparts, have been forced in many instances to accomplish their objectives with fewer resources than had been available to them in previous years. Many agencies have restructured themselves in order to maximize efficiency. One noted trend has been the realization that governmental agencies have customers that they must serve just as do those in the private sector. This realization has led to a focus on the adoption of the "customer concept" in which the customers or "stakeholders," both internal and external, are the focus of the structure and strategy of the organization.

This research presents a case study of the Human Resources Management (HRMD) of the Mike Monroney Aeronautical Center (MMAC) of the Federal Aviation Administration, located in Oklahoma City, which played a key role in the adoption of the customer/stakeholder focus. The purpose of the research was to document the defining moments of the change process at the MMAC and the impact of the change on the organization and its stakeholders. The findings will provide a resource useful to students of the process or those who may be involved in a similar organizational change in the public and private sectors.

Background

Formed with the establishment of the Federal Aviation Act in 1958, the Federal

Aviation Administration (FAA) is the governmental agency responsible for the safety of

Civil Aviation. The FAA was originally called the Federal Aviation Agency but was

renamed in 1967 when it became a part of the Department of Transportation.

A major function of the FAA is regulation of civil aviation to promote safety.

The FAA also furthers the development of air commerce and civil aeronautics.

Additional responsibilities include the regulation and operation of air traffic control for

civil and military aircraft, research and development concerning civil aeronautics, and the

implementation of environmentally friendly civil aviation practices. The regulation of

commercial space transportation is also a function for which the FAA is responsible.

The primary objective of the FAA is the facilitation of safe and efficient

utilization of the navigable airspace. Though its jurisdiction is the United States airspace,

the FAA works with the agencies of many foreign countries, providing training and other

resources to promote air safety worldwide. The Mike Monroney Air Center, located in

Oklahoma City, Oklahoma, serves as a vital support and service facility for the FAA.

The facility is named after the late U.S. Senator A.S. "Mike" Monroney, an avid

supporter of aviation and author of the Federal Aviation Act of 1958. Seven major

activities are coordinated at the MMAC, including certification, logistics, service,

engineering, research, standards, and training. The MMAC occupies approximately 1000

acres of land in south Oklahoma City on which more than 50 buildings are located.

Though the MMAC is the host to each of these functions, many are "tenant

organizations." That is, though they are located at the MMAC, they are directly accountable to Federal Aviation Administration Headquarters in Washington, D.C.

Like many federal agencies, the FAA has made strides to restructure the organization to most efficiently accomplish its mission. Virtually all departments have been affected by the impetus for change started by the Clinton Administration in 1993. Though changes have been initiated in a variety of categories, the underlying fundamental of the change is primarily an attempt to adopt management practices similar to those used in the private sector and, like the private sector, to provide more service with fewer resources. A key refocus has been the adoption of the marketing concept, which recognizes that all organizations have both internal and external customers or "stakeholders," a concept that will be more fully explored in Chapter II.

According to the Mike Monroney Center's website, approximately 3500 employees worked for the FAA in February of 2000 (**www.mmac.jccbi.gov**). Coordination of all activities related to the employees of the FAA is the responsibility of the Human Resources Division (HRMD) counterparts throughout the late 1980s and the 1990s, the HRMD has been responsible not only for a realignment of its own managerial philosophies, but has served as the gatekeeper/coordinator for virtually every department it serves as well. The historical account of how this philosophy has evolved within the FAA and other governmental agencies is presented in Chapter II, along with a more detailed description of the current situation within the HRMD.

Statement of the Problem

As the implementation of the customer focus enters its 8th year, a review of managerial opinions concerning its effectiveness and "lessons learned" is warranted. No formal, objective study has been conducted from which managerial decision-making could benefit.

Purpose of the Study

The purpose of this study was to investigate the evolution of the marketing concept and the change in managerial philosophy required to implement the concept of internal and external "stakeholders" served by the organization. The findings document the thoughts and reflections of those managers involved in the development of the more customer/stakeholder-oriented philosophy. The study should not only benefit the organization by providing a historical perspective from which future decisions may be enhanced, but should also serve as a resource to other organizations, both public and private, who are in the process of adopting similar management philosophies.

Research Questions

The research addressed the following questions:

1. What led the FAA to adopt the stakeholder focus?

2. What challenges were faced in the adoption of the process?

3. What are managers' perceptions of the current situation?

4.   What reflections/suggestions do managers involved in the process have in

retrospect?

Scope and Limitations of the Study

This research involves primarily qualitative element because it is largely

exploratory in nature. Because part of the purpose of this research was to provide

managers in similar situations with insight regarding the process, interviews were

conducted only with those key decision-makers and stakeholders involved in

implementing the change process.

Terms and Definitions

For the purpose of this study, the following definitions were used:

<u>External Customers</u>: Those individuals or organizations who purchase, utilize, or

consume the goods or services produced by the organization.

<u>External Stakeholders</u>: All individuals or groups that have some claim to the

organization or are affected by its activity, but are not directly compensated by the

organization. This may include customers, the public, special interest groups, and others.

<u>FAA</u>: Federal Aviation Administration, the federal agency responsible for the

safe regulation of all air travel within the United States.

<u>HRMD</u>: Human Resources Management Division, the department responsible for

the administration of human resource and personnel issues.

Internal Customers: Those individuals or groups that are employed by the organization and are responsible for the manufacture, distribution, or sale of the goods and services of the organization and are directly compensated by the organization.

Internal Stakeholders: Employees, managers, executives, and staff. Internal stakeholders are directly compensated by the organization.

Interviewee: Term used in the presentation of findings to code each study participant while concealing their identities.

Marketing Concept: The concept that organizations exist to serve the wants and needs of their customers, also referred to as the "customer focus."

MMAC: Mike Monroney Aeronautical Center, a division of the Federal Aviation Administration located in Oklahoma City, Oklahoma.

Stakeholder: An individual or group who has a stake in or may be affected by the organization, program, or activities of the organization or program.

Straightlining: Trend within the FAA to minimize the distribution points for information and resources internal to the organization.

CHAPTER II

REVIEW OF LITERATURE

Introduction

Peter Drucker, who, according to Dartmouth Professor Frederick Webster (1994),

is considered the "father of modern management," is additionally considered the

"academic father of the marketing concept" (p. 6), sometimes referred to as the "customer

concept" or "customer focus" in various academic and popular texts. The foundation of

this philosophy was that organizations existed solely for one purpose: to serve their

customers. While such philosophies were hardly considered cutting-edge in the first year

of the 21st century, organizations weren't always so concerned with the wants and needs

of their customers. Factors in the external environment forced even public organizations

to realize that they did not exist in a vacuum, but rather that they had a

customer/stakeholder base to whom they must be accountable as well. Predicting the

future is always problematic. However, understanding the evolution of the stakeholder

concept, how organizations realigned themselves to meet the needs of their

customers/stakeholders, and reviewing the works of the authors who helped contribute to

the evolution, along with the conclusions drawn from their findings provided a beneficial

background for the development of this study.

The review of the literature involved a series of steps including the development of the stakeholder concept, and the evolution of managerial philosophies over the past century. Because management is considered an older, more formal discipline than marketing, managerial philosophies were first presented as they related to internal customers (employees) in the private sector. Subsequently, the evolution of the marketing concept as it related to the external customers of the organization was explored, followed by the evolution of public sector administration. Once the internal/external customer philosophy was explored from its origins to the present in both the private and public sectors, a discussion of alternate views and criticisms of the philosophy was presented, and the case for the "stakeholder concept" was shown as a more appropriate marriage of the two philosophies. The Internal Revenue Service is provided as an example of a restructure implemented by another governmental agency with regulatory responsibility in an attempt to be more customer-focused. The review of literature was concluded with a review of what has been documented on the FAA's restructure and the trends within the MMAC which set the stage for the interviews conducted in the study.

Management Styles Evolution: The Private Sector

At the beginning of the 20th century, the industrial age was in full force. Prior to this time much of the fragmented, rural population earned their livings as farmers and shopkeepers, and were largely an entrepreneurial culture (Ramos, 1984). Americans had moved in large numbers from their agrarian roots into metropolitan areas, and many

became part of the growing industrial sector. History contends that the Industrial Revolution that began in the mid 1800s and lasted well into the 20th century was a dramatic improvement in quality of life, because those jobs that once required human toil were being replaced by machinery that could perform the tasks more efficiently. However, management regarded workers as little more than "human capital." They had little, if any, influence in the organization (Robbins & Coulter, 1996).

The industrial/manufacturing era grew at an almost exponential rate to meet the growing demand of the expanding population. Manufacturers could sell everything they produced, and it was the task of the workers to meet the production goals put before them.

The idea that workers at this time were considered "human capital" rather than stakeholders of any great value to the organization perhaps contributed to the philosophical foundation of theorist Frederick Taylor's *Principles of Scientific Management,* published in 1911. Though Taylor was quick to point out the necessity for proper screening, selection, and training of job applicants, his approach studied primarily the physical aspects of each job and sought to find the "one best way" to accomplish various tasks. Other Scientific Management theorists of the time included Frank and Lillian Gilbreth, whose time-and-motion studies determined how to maximize efficiency through minimizing the number of body movements required to perform certain tasks. Treating workers as "human forklifts" instead of human resources capable of making valuable contributions to the organization may sound barbaric in modern terms. However, authors Robbins and Coulter (1994) are quick to point out that in the absence

of modern hydraulic equipment during the time scientific management gained popularity, "human forklifts" were essentially what workers were at that time. Such contributions were actually significant breakthroughs in improving the performance of the early American organizations and the workers' quality of life (Lerman & Turner, 1996).

Administrative Theories

Similarly, as organizations experienced dramatic growth in the number of employees working for them, the need for more efficient structure and operational standards to govern the interactions of employees at various levels arose. Henri Fayol and German sociologist Max Weber led the emergence of the General Administrative managerial philosophies. Weber's "ideal type" of organization, the Bureaucracy, was a system based on clearly defined hierarchy, definite divisions between management and lower-level workers, rules and regulations specifically detailed, and relationships that were impersonal (Henry, 1999).

As technology advanced and eliminated the need for workers to perform many of the more difficult physical tasks, management was slowly gaining a higher opinion of its employees. Harvard researcher Elton Mayo led the Hawthorne Studies, whose findings initially concluded that employee satisfaction was directly linked to productivity, helped management see that understanding and meeting workers' needs could significantly contribute to the bottom line. Prior to this time management had organized on what Mayo deemed the "Rabble Hypothesis," with managers holding the basic assumption that

workers were a "contemptible lot" who were concerned primarily with making as much money with as little work as possible (Hersey, Blanchard, & Johnson, 1969).

Human Relations Theories

This shift in thought gave way to the human relations movement. Though essentially dismissed by academic management scholars, Dale Carnegie (1936) is credited with introducing the business world to the idea that long-term success is best accomplished by winning the cooperation of others. Though even at the time this notion seemed rather simplistic, the book filled a void in practical human development thought. Carnegie's book was a monumental best seller and was widely read by managers from a variety of industries. Also during the "Human Relations Period" Douglas McGregor (1960) developed his "Theory X" and "Theory Y" managerial philosophies. Theory X asserted that workers did not like work, had little ambition, and required continual prodding in order to be productive. Theory Y said that workers are capable of accepting responsibility, are self-motivated, and are internally driven to succeed. Though some variances in principle existed, McGregor, Carnegie, and other human relations theorists shared optimism about the capabilities of workers and were proponents of management styles that were supportive of the workers.

Behavioral Science Theories

Expanding on the human relations approach in its belief that workers had the capability and the motivation to succeed were the theories of behavioral science. Perhaps

most noted of the behavioral science theorists was Abraham Maslow (1954) who developed *Maslow's Hierarchy of Needs*. Maslow asserted in his theory that humans progressively strive to satisfy their needs, starting with those basic to survival and ultimately striving to achieve "self-actualization," or to maximize their individual potential.

Maslow (1968) additionally argued that individuals not only had the desire to seek their ultimate potential or "self-actualization," but that the definition of self-actualization varied from individual to individual. Such theories began to help managers understand that understanding exactly what motivated workers was key to the success of the organization and that managers played an important role in providing motivation for the employees.

<div align="center">The Quantitative Era</div>

Many of the executives of the 1950s and 1960s had served in the Second World War. These executives found that many of the quantitative techniques they had developed during their military experience would have application in the struggle to meet the production demands of the post-war economy. One group of such managers, dubbed "The Whiz Kids," joined Ford Motor Company in the late 1940s (Byrne, 1993). One member of the group, Robert McNamara, went on to become the president of Ford, served as Secretary of Defense, and was head of the World Bank. The success and impact left by these managers sparked an increased interest in the Master of Business Administration (MBA) degree that has grown steadily since the late 1960s, and

quantitative methods continue to be the foundation of the MBA curriculum (Collins & Devanna, 1994).

Systems Approaches

As the quantitative approach was adopted as the operational tool of management, the structures of the organization began to evolve in order to maximize the human resources of the firm. An examination of the systems approach, initiated by such authors as Frederick Taylor during the period of classic management, began to take place (Robbins, 1996). Early organizational structures were very hierarchical and were considered "closed" in that they did not interact with their environments. While this structural style recognized that the departments of the organization were interdependent, upper management rarely sought input from either its internal customers or the marketplace it served (Robbins, 1996).

In order to respond to market changes and to make more efficient use of their managerial resources, most organizations in the late 1960s to the mid-1980s, began to adopt more open systems. Though this made the organizations more able to lead and respond to market conditions, the structure of most organizations maintained Weber's (1947) bureaucratic, hierarchical style.

Newer-tradition approaches (Henry, 1999) began to merge the various leadership styles and led to a major overhaul of how organizations structured themselves. The 1980s saw a massive integration of women and minorities into a workforce previously dominated by white males. Additionally, global competition began to emerge and the

United States found itself struggling to compete. It was during this time that W. Edwards Deming injected the term "Total Quality Management" (TQM) into management's vocabulary. Utilizing principles Deming considered mostly common-sense, management began to place greater respect and importance on the contributions its employees could make, and began to empower them to make many decisions that previously were strictly the domain of management (Deming, 1982).

The Era of Reengineering

Adopting such changes often flew in the face of contemporary management styles and found decision-makers wondering exactly how to put the proverbial round peg in a square hole. Many organizations found that trying to adopt open or closed systems into newer tradition models was entirely too problematic, and instead decided to scrap the old structures in favor of new, more streamlined ones. Hammer and Champy (1994) produced *Re-engineering the Corporation* which served as the handbook for many of the corporate overhauls of the 1990s. The authors said managers should ask themselves how they would rebuild the organization if they were starting from scratch and if armed with the wisdom their organizations' historical perspectives supplied. Employees industry-wide and at all levels of their organizations were informed that in order to be more effective, they would be "downsized," "right-sized," "realigned," "restructured," or otherwise overhauled in order to become more efficient.

As managers were expected to "do more with less" in terms of resources, the importance of the internal customer took on increased significance. Not all organizations

announced the adoption of "Servant Leadership" wherein managers from all levels pledge themselves fully to the wants and needs of their employees (internal customers). Most did begin to pay much greater attention to the significance of the investment their organizations had in their human resources (Spears & De Pree, 1996).

A common theme in the mid to late 1990s was to redraw the organizational chart, leaving most of the structure in place, but inverting the pyramidal shape to make it less hierarchical. As Figure 1 illustrates, the employees of the organization at the lowest level, who were also closest to the customers, were given the top spot, and the president was relegated to the bottom. At least on paper, the day of the internal customer had arrived.

CUSTOMERS

EMPLOYEES

MANAGEMENT

PRESIDENT/CEO
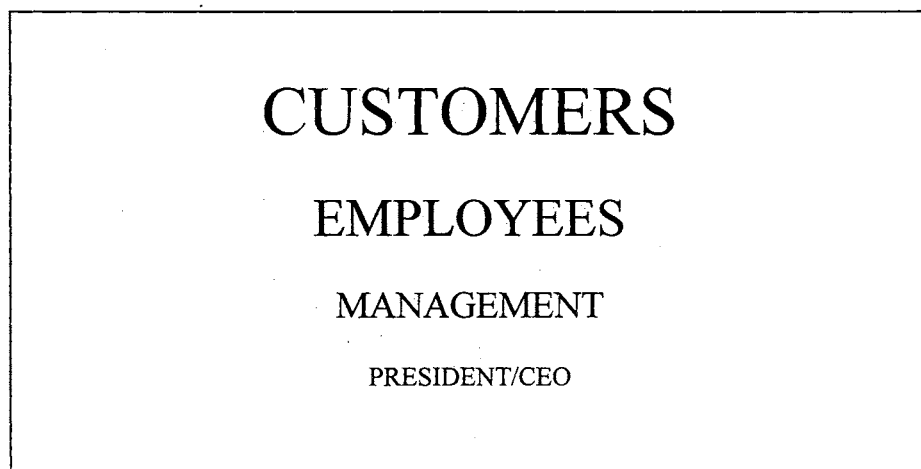
Figure 1. Inverted Organizational Chart.

Steven Covey's books, *The 7 Habits of Highly Effective People* (1989) and *Principle Centered Leadership* (1992) emphasized a managerial culture based on what he

called the "Character Ethic." Covey proposed that managers lead by example, not only treating subordinates as contributors to the organizational mission, but allowing them a voice in the future of the organization.

Peter Senge believed that organizations had to become "Learning Organizations" in which every employee was dedicated to being a life-long learner. He stated that this was not just for the betterment of the employees or to help them reach what Maslow called "self actualization" at which the individual's full potential was realized. Senge said that organizations faced with competing in the approaching 21st century would have to be learning organizations simply to survive trends. Senge's ideas were later paid merit in the descriptively titled book, *Only the Paranoid Survive: How to Exploit the Crisis Points that Challenge Every Company* (1996) authored by Intel president Andrew S. Grove. He said organizations must be ready to "re-invent themselves" if necessary in order to capitalize upon and lead market trends. He argues that the employees of all organizations must be the drivers of the change and must be ready to reinvent themselves if necessary in order to survive. Doing so, he argued, would require an ever-growing base of employees who were flexible enough to undertake such reinvention if necessary.

Perhaps the "father of modern management," Peter Drucker, best summarized the business climate at the end of the 20th century in *Management Challenges of the 21st Century* (1999). Drucker stated that increasing the productivity of what he had labeled "knowledge workers" since the mid-60s was one of the biggest challenges to organizational success in the 21st century. Drucker believed that, as Deming had said years earlier, those workers closest to the tasks they perform have the highest levels of

expertise concerning its effectiveness. Drucker said that knowledge workers should be treated as a capital asset and allowed to grow, so much so in fact that he says that solving this challenge may create another: What to do when the knowledge worker becomes the organization's *main* asset?

In summary, during the 20th century the employees of the organization appear to have evolved from being considered "human forklifts" during the classical period of the early 1900s into the most valuable asset on the organization's balance sheet.

The External Customer Relationship

To the bureaucratic, hierarchically structured organizations of the early 21st century, the external customers were virtually unseen individuals who clamored to purchase just about everything the organization could produce. The increased standard of living had created demand for the abundance of products made possible by the manufacturing era, and factories literally were able to sell everything they produced. This era is commonly referred to as the manufacturing era or "Production Era" for that reason (Stanton & Spiro, 1999).

The Eras of Marketing Development

The opinions of the employees (internal customers) were basically whatever management told them they were, and external customer opinions were rarely sought either. A paraphrase of Henry Ford's infamous statement "They can have any color they [the customers] want, as long as it's black" is often used to illustrate the blatant disregard

for customer opinion organizations were allowed in the booming economy of the early

20th century (Lerman & Turner, 1996).

The Production Era lasted until about the start of the 1930s, just prior to the Great

Depression. As demand leveled off, organizations began to experience excess capacity.

Without customers lined up at their doorsteps waiting to purchase whatever the

manufacturers were generous enough to allow them to purchase, manufacturers found

themselves desperately seeking ways to create demand for what they had to offer. This

created the "Sales Era" in which a "work hard" (to produce) and "sell hard" (to move the

product) culture was adopted in most organizations of the time. The role of the

advertising departments and sales forces during this era was to make the desires of the

customers fit the attributes of the products offered. The term "hard sell" helped the sales

profession earn a soiled reputation that it has worked for decades to overcome, with

limited success in some cases (Stanton & Spiro, 1999). The ethics of the "hard sell" were

questionable at best, but the Sales Era moved a great deal of product.

The Marketing Concept

In the wake of the Sales Era came the Marketing Era. Worth noting is that though

sales and advertising departments were formed in most organizations in the mid-1930s,

marketing as its own department, and one of any great significance to upper management,

did not exist in many organizations at the time. It was after the Second World War when

organizations in large numbers began to adopt the "Marketing Concept." In addition to

being considered the "father of modern management" as mentioned in the previous

section, Drucker is additionally credited with the verbalization of the marketing concept.

In his 1954 text *The Practice of Management*, he wrote the following:

> There is only one valid definition of a business purpose: To create a customer.
>
> It is the customer who determines what a business is. For it is the customer, and he alone, who through being willing to pay for a good or service, converts economic resources into wealth, things into goods. What the business thinks it produces is not of first importance – especially not to the future of the business and its success. What the customer thinks he is buying, what he considers "value" is decisive.
>
> Because it is its purpose to create a customer, any business enterprise has two – and only these two – basic functions: Marketing and innovation. (p. 37)

Though the "marketing concept" is typically stated in the first few pages of all

marketing texts and is today widely considered the rule rather than the exception, when

Drucker first authored the above prose in the mid 1950s his thoughts were considered

"revolutionary" (Webster, 1997). However, as competition gave the customers more

choices in where to spend their discretionary income, organizations began to see wisdom

in the philosophy of the marketing concept.

The Marketing Orientation

As organizations adopted the marketing concept more enthusiastically by the mid

to late 1950s, the marketing era or the era of the "Marketing Orientation" began. This

orientation in various forms and foci has been the primary foundation for the managerial

philosophies of organizations through the end of the 20th century and into the 21st. The

"Marketing Orientation" centers the organizations on the current needs of the customers

of the organization, as well as those needs that may be predictable in the future.

According to authors Kholi and Jaworski (1990), whose article in the *Journal of* *Marketing* sought to summarize the marketing orientation, it is essentially, "An organization-wide generation of market intelligence pertaining to current and future needs, dissemination of the intelligence across departments, and an organization-wide responsiveness to it" (pp. 1-18).

Pride and Ferrell (2000) believed merely stating that an adoption of the marketing concept is underway and seeing its actual implementation are often two very different things.

> A [marketing] philosophy may sound reasonable and look good on paper, but that does not mean that it can be put into practice easily. To implement the marketing concept, a marketing-oriented organization must accept some general conditions and recognize and deal with several problems. Consequently, the marketing concept has yet to be accepted by all American businesses. (p. 12)

Though the marketing concept first gained acceptance in the mid 1950s and early 1960s, organizations paid little more than lip-service to the idea until the end of the 1970s. Faced with abundant market share, many of the private sector firms grew lax in the quality of products and services they provided. This created opportunities for foreign competition, predominantly from Japan. While "Made in Japan" was often translated as "inferior quality" by the majority of American consumers in the post World War II marketplace, with the help of W. Edwards Deming's (1982) Total Quality Management principles, Japan had made great strides toward reinventing its image by the late 1970s. By the early to mid-1980s, large numbers of Americans who previously bought only domestic goods had migrated in large numbers toward the purchase of Japanese-

manufactured automobiles, appliances, and many other products. "Made in Japan" had

come to mean "quality" and "reliability" (Hiam & Shewe, 1993).

Executives began scrambling to find strategies to help them regain the market

share that was eroding to Japan. Deming, who had enjoyed only moderate attention in his

home country until then, became as sought after a consultant in the United States as he

had been in Japan decades before. Total Quality Management (TQM) quickly became

the talk of the boardroom, and the three main authors on the subject at the time, Deming,

Juran, and Crosby, had given birth to a management philosophy that was considered

revolutionary. Deming and other experts were quick to point out that the principles of

TQM were based on a familiar though underutilized theme rooted in "common sense":

Satisfy the customer (Webster, 1994).

The underpinnings of TQM essentially argue that, as Drucker had stated in his

early works, organizations exist to serve customers. TQM is based on the philosophy that

every task in the manufacturing and service processes should be attempted with zero-

defects (Walton, 1986). TQM additionally argued that the key to obtaining zero defects

and ultimately satisfied customers from which the organization could profit was

empowering the employees, the internal customers, at every level to make many of the

key decisions necessary to meet the organizations' goals. In theory, the employees closest

to the organization's customers should be granted the decision-making ability needed to

effectively and quickly make many decisions that previously required the approval of a

higher level of management (Weimerskirch & George, 1996).

Paving the way for a series of studies on the notion of empowering internal customers as a means of best serving external customers was a book by McKenzie Group consultants Tom Peters and Bob Waterman. In 1982 they published *In Search of Excellence*, a series of case studies of private and public sector organizations that had broken away from what had by then become the norm, that is, lackluster performance on behalf of the customer. Instead, firms examined in the book put the customer first by empowering those workers in the organization closest to the customer to proactively serve their needs.

<div align="center">Moving Closer to the Customer</div>

As the marketing concept or customer focus grew in acceptance through the late 1980s, organizations also began to realize that unproductive layers of middle management should be redirected or eliminated altogether. Northwestern University Professor Charles Schewe (1992) said much of the restructuring witnessed in the early 1990s was not only to flatten the bureaucracy, but to additionally move the organization's leadership closer to its customers. Schewe additionally states that the mass restructuring seen in the 1990s was evidence that the marketing concept had gained its long awaited prominence in the minds of management. The widespread discussion of TQM in the majority of organizations in the mid to late 1980s may have also helped endorse the value of the concept whether or not firms implemented Total Quality programs.

> Total Quality Management stands the organizational chart on its head. It says that the customers are the most important people for an organization; those who serve customers are next; and management is there to serve those who serve customers. (Osborne & Gaebler, 1993, p. 172)

The Impact of Information

Paralleling and supplementing the widespread embrace of the marketing concept was the information age. Technological advancements made the management of and capitalization on customer information possible. Data base marketing, market segmentation and targeted marketing based on the demographic and lifestyle (psychographic) traits of the customers had become possible and affordable for virtually every organization. Product offerings, manufacturing cycles, inventory levels and promotional offerings could be tailored in a customer-specific fashion similar to that offered by shopkeepers prior to the industrial revolution over 100 years before. In many cases, "one to one marketing," that is, customization of products and services to individual customer preferences, was not only possible in many cases, but had become profitable as well (Peppers & Rogers, 1993).

Perhaps merging the information age and the marketing era was the rapid penetration of the Internet. While it took nearly 34 years for radio to garner an audience of 50 million, and 17 years for television to gain an audience that large, it took less than 5 years for the Internet to obtain an audience of 50 million. In 1999 the world wide web was growing at a rate of 17 pages per second and it was estimated that thanks to the newfound technology, more data had been generated in the past 30 years than in the previous 5000 years (Muoio, 1999).

Though rapidity of change created unique challenges, the affordable technology helped level the playing field in the marketplace. Almost overnight many products were turned into commodities, thus providing the customer with greater choice and more

power in the transaction. In order to attract and keep customers, organizations had to focus less on the tangible aspects of the process and more on the service offered. By the close of the 20th century, firms were scrambling to enhance their customer relationships through market research and other tools that allowed them to meet and ultimately anticipate their customers' needs.

Though the literature suggests that the vast majority of the private organizations recognized the importance of the customer focus at the end of the 20th century, some authorities debate exactly how well organizations have truly delivered on the concept.

Marketing author Philip Kotler (1999) stated that there were still plenty of opportunities for marketers to "deliver," because while the economy was booming nationwide, service levels were at an all time low. Kotler believed that lowered customer satisfaction and skepticism concerning how customer-focused many organizations had become may have attributed at least in part to the rising customer expectations that had resulted from so many organizations proclaiming a strong customer focus. Though Peters and Waterman's book *In Search of Excellence* (1982) is considered the forerunner in customer-centered strategy development and its case studies were once considered models for organizational excellence, few of the companies studied were still widely considered so at the end of the 20th century. As one business journalist coyly wrote, "A lot of the companies chronicled there didn't stay 'excellent' for very long" (Harrington, 1999, p. 155).

In his 1999 work, *The Circle of Innovation: You Can't Shrink Your Way to Greatness*, Peters chastised organizations that had failed to continually reinvent

themselves on behalf of customer needs. Peters said that service levels, product offerings, and even cultures in many organizations had become "bland and stale" in the nationally thriving economy and that far too many relied on inwardly focused, bureaucratic leadership styles (Peters, 1999). Several authors, including Drucker and Senge, had similar assertions at the end of the 20th century, suggesting that though much had been done to foster the adoption of the customer concept, there was still room for considerable improvement.

<div align="center">Structural Evolution in the Public Sector</div>

The evolution of the public sector in many ways paralleled that of its private sector counterparts, with the possible exception that its development is more directly linked to "administrations" than to "eras" due to the nature of its political existence. With the West settled and the population beginning to urbanize at the turn of the 20th Century, governmental agencies and services charged with safeguarding the public good were being developed. Unfortunately, many of the governmental agencies in the early 1900s were little more than "favor banks" for corrupt politicians and bosses. Progressives like Theodore Roosevelt and Woodrow Wilson transformed the way American government served its public, from the spoils system into the merit system (Strauss & Engle, 1988). Public organizations were deliberately made bureaucratic in structure, and were a vast improvement over the previous "favor bank" structures that preceded the bureaucratic style.

Worth noting is that though by the end of the 20th century no organization wished

to consider itself "bureaucratic," the bureaucratic design actually played a useful role in

the effective structure of governmental agencies in the early 1900s.

> It is hard to imagine today, but 100 years ago the word bureaucracy meant
> something positive. It connoted a rational, efficient method of
> organization – something to take the place of the arbitrary exercise of
> power by authoritarian regimes. Bureaucracies brought the same logic to
> government work that the assembly line brought to the factory. With their
> hierarchical authority and functional specialization, they made possible the
> efficient undertaking of large, complex tasks. (Osborne & Gaebler, 1993,
> p.12)

The authors go on to say, as such authors as Ramos and Weber had previously,

that bureaucratic leadership was the norm for the management of local, state, and federal

government agencies not so much because it was effective, but because it solved the basic

problems people wanted solved. Big Government and, subsequently, big bureaucracy,

thrived during the first half of the 20th century because it most effectively served its

"customers" during times of crisis such as the Great Depression and two World Wars

(Henry, 1999).

<div align="center">The Birth of Big Government</div>

Though the growth of the nation created the need for some federal agencies and

programs, many of the largest federal agencies were expanded or were created from

necessity. The Internal Revenue Service (originally known as the Internal Revenue

Bureau) was formed in 1913 as a means of regulating tax revenue for the good of the

public. The Great Depression and Dust Bowl years led to the growth of the United States

Department of Agriculture. Other federal agencies that moved to the foreground in the

20th century included the Federal Housing Administration, the Federal Deposit Insurance Commission, the Department of the Interior, the Department of Defense, and the Department of Transportation (Office of the Federal Register, 1998). President Franklin D. Roosevelt heavily supported many of these organizations as part of his New Deal agenda. The New Deal was essentially a series of programs implemented with the intention of improving the quality of life for all Americans, while their very existence provided employment for many Americans in desperate need of work (Henry, 1999).

As a Texas Senator, Lyndon Johnson had gained acclaim from his constituents and appreciation from President Roosevelt for his role in the success of several federally funded programs in the 1930s and 1940s. Johnson, as President, used federally funded education and health care programs as part of his strategic weaponry in his war on poverty. Johnson's programs boosted the resources of several governmental agencies and programs in accordance with his "Great Society" in which he envisioned the government played a key role in providing for its citizens' prosperity (Kearns, 1976).

In order to fulfill John F. Kennedy's vision of "A man on the moon by the end of the decade," the National Aeronautics and Space Administration (NASA) gained prominence in the 1960s and ultimately achieved Kennedy's goal by 1969. The accomplishment has since been used as a case study not only for its achievement of what at the time seemed impossible, but also for the way the governmental agency so effectively coordinated both public and private resources to accomplish the task.

Most federal agencies existed relatively quietly during the 1970s. By that time, though, many Americans had come to associate bureaucratic structures with inefficiency.

By the 1970s times had changed and the rate of change had accelerated much faster than the structure of the bureaucracy enabled it to cope with the changes (Osborne & Gaebler, 1993). Inefficiencies resulted, and Americans lost faith in the government and many of its agencies. "Good enough for government work" had become a sarcastic but difficult to dispute cliché in America by the 1970s.

<div align="center">Entrepreneurial Government</div>

Ronald Reagan's "smaller government, less bureaucracy" platform helped him win the presidency in 1980. Reagan had won a large following from his anti-big government philosophies, and among his first acts as president were to move more decision making power from the federal to the state levels of government and to attempt to recruit more private sector managers into the public sector (D'Souza, 1997). During his two-term presidency Reagan made strides to reduce the size of federal government, or to at least streamline many of the processes through which agencies operated. His efforts even inspired other nations such as Canada and Great Britain to adopt similar practices. Though he points out a few setbacks and political "black eyes" endured in his two terms, Nicholas Henry (1999) credits Reagan with making great strides in curbing bureaucratic government.

During the Reagan Administration governments had in several instances begun attempting to operate in a fashion similar to their private sector counterparts. The Total Quality Management (TQM) movement that was being adopted in private organizations was implemented in several governmental agencies. One noted case was the Tactical Air

Command of the United States Air Force, in which General Bill Creech (1995) essentially led the first governmental agency restructure. When Creech assumed command of the Tactical Air Command (TAC) in 1978, he asked his superiors for the authority to "experiment" with the current structure in an effort to make the organization more efficient.

According to Creech, if the Tactical Air Command were a corporation, it would have been among the world's 20 largest in the late 1970s. At the time of Creech's leadership, the organization had over 100 locations in 46 states and 5 foreign countries, and employed over 180,000 people. The mission of the organization was to equip and help deploy nearly 100 fighter squadrons. The management style was typical of that found in a military organization, with very centralized authority. Creech's approach was to implement a decentralized approach in all areas of the TAC, which improved productivity by over 80%. This improvement not only helped alleviate some of the criticism the organization had faced previously, but earned the TAC some favorable press as well, leading other major Air Force commands to adopt the process. The true test of the efficiency of the improvements came in 1991, however, with the outbreak of the Gulf War. Much of the flawless execution noted during the conflict was credited to the readiness of the American forces, and Creech's decentralization helped provide much of the blueprint (Creech, 1995). The success demonstrated that even military structures, which are "necessarily bureaucratic," could be redefined with positive results. Its success was perhaps also an indicator of what was to come.

Reengineering in the Public Sector

According to the U.S. Census Bureau, federal civilian employment first peaked during World War II at 3.4 million, declining to 2 million in 1947. It rose again in 1951 to 2.5 million, reaching 3 million in 1967. Between 1968 and 1984 federal government civilian employment fluctuated in the range of 2.8 to 3 million and increased to 3.1 million by 1987. Years 1990 to 1997 saw a "downward trend" begin that lasted through the year 2000 (www.census.gov, 2000).

Though some adjustments had been made in various governmental agencies (whether due to mandate or necessity) during the 1980s, a dramatic focus on the redesign and improvement of the structures of governmental agencies was not emphasized until 1993. It was at that time that Clinton Administration Vice President Al Gore was charged with the "reinvention" of the federal government, with the creation of a customer driven, smaller, and worker-friendly government that operated in a fashion similar to that of the most successful private sector organizations within 10 years. This resulted in large part in response to growing taxpayer demand for a government that performed more efficiently at a lower cost. A poll taken in 1993 revealed that regardless of the candidate for whom the respondents had voted in the previous election, the majority wanted their government to be less bureaucratic, more efficient, and better able to give "ordinary people" better service and a wider variety of choices in service delivery. The respondents additionally said that the efficiency of the government was ultimately more important to them than its size, and 44% said that the same kind of restructuring that was taking place

in the private sector in the early 1990s should be implemented in the government (Gore, 1995).

In order to accomplish the task, Gore assembled a team of over 200 federal employees from a cross-section of governmental agencies who offered not only explanations of what was "wrong" with the organizations, but who were additionally prepared to offer input on how to solve the problems faced. Gore also involved cross-sectional teams from what were at the time the best performing private sector organizations. These included General Electric, which held the unique distinction of performing as well at the end of the 20th century as it had at the beginning, and Harley Davidson, a firm that that had been forced to reinvent itself in order to remain competitive in the global marketplace. These firms had, according to the findings obtained from Gore's task force, effectively made the transition from industrial age to information age and were organizations from which they could learn a great deal (Gore, 1998).

One of the first lessons learned by the task force dealt with the marketing concept. The idea that government had "customers" was rarely, if ever, acknowledged. However, as Osborne and Gaebler (1994) confirmed in their research, this was due in large part to the hierarchical and bureaucratic structure of the governmental organization. Gore's task force learned that because many agencies performed like industrial-age assembly lines, passing paperwork from office to office, the "customers" were rarely seen, much less acknowledged, nor was the notion that customers of the organization had needs that should be met. As the private sector went through its own period of reengineering, those

companies who survived and ultimately succeeded were those that stopped taking their customers for granted. As this revolution proceeded in the private sector, customers of the government began to ask why governmental agencies could not perform in a similar fashion. At first scholars argued that government and business were "just different" or that the tasks performed were so far removed that the two entities could learn nothing from each other (Osborne & Gaebler, 1993). A careful study of successful private sector firms and in-depth interviews with their executives convinced the Gore team otherwise. "Put the customer first" was the common theme that emerged from a June 1993 conference that featured executives from Cadillac, Ritz Carlton, Southwest Airlines, The Limited, and Motorola. The lessons offered from the conference led President Clinton to draft Executive Order 12862. The purpose of the order was to set customer service standards within the federal government. The order called for the federal government to "Embark on a revolution within the Federal Government," and specifically set forth these objectives:

1. Identify customers who are, or should be, served by the agency.
2. Survey customers to determine the kind and quality of services they want and their level of satisfaction with existing services.
3. Post service standards and measure results against them.
4. Benchmark customer service standards against the best in business.
5. Provide customers with choices in both the sources of service and means of delivery.
6. Make information, services, and complain systems easily accessible.
7. Provide means to address customer complaints. (Gore, 1998, p 10)

The order led to hundreds more in-depth meetings involving over 400 government employees and executives from major corporations at which the government workers learned first-hand how to develop a strong customer focus. Private sector firms not only

helped the government employees establish performance benchmarks, but also helped design customer service and complaint-handling workshops. A key concept that emerged and became a battle cry was that "Taxpayers are customers too." The task of the federal employees and managers became to determine what their customers, the taxpaying American public, wanted and then to find cost-effective means of satisfying those wants. According to Gore's 1998 study, the success stories included the Social Security office's five day turnaround on social security card requests in 97% of the cases, and an increase from 79% to 92% on-time delivery of first class mail in the U.S. Postal Service (Gore, 1998).

Empowering the "internal customers" was also virtually unheard of until the reinvention undertaken in 1993. Heavily influenced by Wal-Mart, whose management credits employee involvement as one of the secrets of its success, many organizations began to find ways to unleash the creativity and decision-making ability of its employees. Federal employees were also granted access to information related to processes and procedures once solely the purview of management, thus enabling them greater ownership of their duties and tasks.

Soliciting input from, sharing information with, and relinquishing decision making power to employees proved to be an even greater paradigm shift than recognizing that the organization was in place to serve customers, but most organizations were reporting progress. A program designed to help encourage the input of the internal customers was Gore's Vice Presidential Hammer Award. A "$6 hammer" wrapped with a ribbon and mounted on a plaque, this award recognizes innovative efforts of federal

employees and is meant to entice them to share ideas on how to improve the organization. Other revisions made on behalf of the internal customer included enhanced hard (technical) and soft (human relations) training, along with an elimination of as much "red tape" and unnecessary rules and regulations as possible. During the reinvention process, the federal agencies did away with 640,000 internal rules and regulations that workers said elicited feelings of distrust and were damaging to their enthusiasm (Gore, 1998).

Similarly, red tape was dramatically eliminated for the external customers the organizations served. In accordance with the initiatives Clinton outlined in Executive Order 12862, federal agencies made efforts to make it easier for their customers to do business with them and to communicate with them when problems arose. Agencies such as the Small Business Administration worked diligently to do away with paperwork that had become repetitive and unnecessary in the information age. Those forms that could not be eliminated were shortened dramatically. In many cases forms that once took several pages were abbreviated to as little as one page (Gore, 1998).

Recognizing that its inability to capitalize on the full benefits of the information age was a primary detractor to the efficiency and the public opinion of many federal agencies, an effort to utilize the power of the World Wide Web was initiated once the medium became widespread in the mid 1990s. The U.S. Business Advisor and FedStats were created in 1996 as information clearinghouses for government information. Both websites give users the ability to search over 100,000 web addresses for federal government information by typing simple questions in "plain English." The service was considered a breakthrough for the taxpayers because it gives small firms access to

government information and contracts previously available only to major firms with

bountiful resources. A survey of the over 400,000 who used the Business Advisor service

within the first few months of its availability revealed that 90% believed it made doing

business with the government easier. A host of other information and service sites were

then developed, giving the customers greater access to the information their tax dollars

had funded but whose delivery was previously cost prohibitive. The head of one such

information agency lamented that high school students at their computers in 1998 had

better access to governmental information than even the top ranking Washington officials

had just five years before (Gore, 1998).

The Internal Customer Debate/The Stakeholder Concept

Though most organizations accepted and could see value in the notion that they

had customers both internal and external, the theory had become the subject of

considerable debate by the end of the 20th century. At one extreme was the philosophy of

Herb Kelleher, President of Southwest Airlines, who said that external customers were

less important to the organization than the internal customers, or members of the

organization's "employee family." Kelleher believes that the service the organization's

external customers receive is a direct result of how well the internal customers, the firm's

employees, perceive that their organization values them. Kelleher is fiercely loyal to

those who purchase seats on his airline, but that loyalty comes second to the loyalty he

feels for his employees. Kelleher gained fame for his dismissal of the time-honored

marketing cliché, "The customer is always right." Said Kelleher,

No, they are not! And I think that's one of the biggest betrayals of
employees a boss can possibly commit. The customer is sometimes
wrong. We don't carry those kinds of customers. We write to them and
say "Fly somebody else. Don't abuse our people!" (Freiberg & Freiberg,
1996, p. 268)

Author Frederick Webster offered another perspective, stating that the
internal/external customer debate as it related to the operation of the organization was
unproductive. Citing that the marketing concept is often derailed by the creation of a
bureaucracy, Webster cautioned that organizations should be cautious when defining
exactly who is a customer.

There is only one customer, the one who pays the bills. Talk of the
"internal customer" is dangerous and misleading because it puts another
organizational actor first rather than the real customer. This can create all
kinds of interesting internal politics and intra-organizational conflict that
could be better used to solve real customer problems in the marketplace.
(Webster, 1999, pp. 67-68)

With such debates in mind, a new managerial philosophy evolved, that of the
"stakeholder." Rather than attempt to place greater value in the "internal" or "external"
customers, the stakeholder concept recognized that in the attempt to fulfill the mission or
purpose of the firm, the organization has a number of individuals and/or entities that have
a vested interest in its success. Stakeholders may be internal or external to the
organization. Stakeholders may include customers, managers, employees, unions,
shareholders, suppliers, the community, the government, the media, and even competitors
in some cases. This concept is perhaps most relevant in large organizations such as
federal governmental agencies who often struggle with how to define exactly who is the
customer, but who readily concede that the actions of the organization will have far
reaching effects and, consequently, stakeholders.

By the early 1980s the science of management began to incorporate a greater focus on "management ethics" and the responsibility of business to not only produce a profit for its shareholders, but to others who may be affected by the actions of the organization as well. Similarly, the marketing concept urged less emphasis on short-term profits and greater focus on the development of ongoing customer relationships based on responsiveness to the needs of those the organization served. Both of these philosophical changes helped set the stage for the evolution of theories related to the stakeholder concept. Author Robert Freeman is credited with starting the movement toward the study of stakeholder theory with the publication of *Strategic Management: A Stakeholder Approach* in 1984. Freeman's book was the first to propose a definition of an organizational "stakeholder." Freeman helped generate several other works on the stakeholder concept (Donaldson & Preston, 1995).

The TQM movement also helped bring the stakeholder concept to prominence. Quality management focuses primarily on the interrelationships and interdependencies of the various systems within the organization. How well management understands the interrelationships and interdependencies is critical to the achievement of the overall goal of satisfying the customer and making a profit as a reward for doing so. Traditional organizational strategies have emphasized short-term profitability often at the expense of customers, employees, the community, and other stakeholders within the micro and macro-environments of the organization (Cortada, 1995). Though, as mentioned previously, the widespread, wholehearted adoption of TQM had been somewhat

inconsistent, successful organizations had begun to recognize that making short-term profits their single objective was nothing short of suicidal.

According to Hill and Jones (1998), the stakeholders should be considered at every level of the planning process, from the development of the mission statement to the most basic operational levels. The authors also point out that though stakeholders may not be difficult to identify, satisfying the wants and needs of all of the stakeholders may be. Organizations are often forced to make choices on how to best deploy their limited resources. As such, management must identify those stakeholders who are most critical to the organization's survival. Hill and Jones suggest a five step process for conducting a stakeholder-impact analysis:

1. Identify Stakeholders.
2. Identify interests and concerns of stakeholders.
3. Identify what claims stakeholders are likely to make on the organization.
4. Identify the stakeholders who are most important from the organization's perspective.
5. Identify the resulting strategic challenges. (pp. 38-39)

In their book *The Stakeholder Corporation*, authors Wheeler and Saillanpaa (1997) suggest that organizations would be well advised to worry less about how to define the role of "internal" or "external" customers and to instead recognize all of the stakeholders that the organization serves. Once stakeholders are identified, organizations should analyze the ways in which the stakeholders may influence or impact the organization in both the short and long term. Then, strategic intent and performance improvements may be developed accordingly. The authors stated that this analysis should be the foundation of the modern business model and predict that the "stakeholder

economy" will dramatically impact corporate thinking in the 21st century (Wheeler &

Saillanpaa, 1997).

Also important is the ongoing measurement of stakeholder satisfaction in order to

compare their perceptions of the actions of the organization with its mission. Kaplan and

Norton (1998) developed what has become a widely adopted approach used in both

public and private organizations to monitor stakeholder satisfaction, a measuring and

monitoring system centered around the organizational mission statement as it relates to

the stakeholders it serves. Kaplan and Norton called this method the Balanced Scorecard,

because it provided quantitative and qualitative measurements of progress. The scorecard

is "balanced" because the approach advocated involving stakeholders both internal and

external to the organization in setting and measuring performance standards. The

scorecard is also considered balanced because it measures from both short and long-term

perspectives and is constructed from financial and non-financial, or quantifiable and non-

quantifiable measures. Typical scorecards measure from four perspectives: Customer,

financial, internal-business-process, and learning and growth. These may additionally be

broken down to include return-on-investment, internal and external customer satisfaction

measurement, and internal and external quality improvement measurement. Ongoing

measurement helps discover cause-and-effect relationships that may be predicted and

better managed, all for the sake of the stakeholders of the organization.

Though some management authors continue to debate about exactly how to

identify and define the role of the stakeholder, as well as how to prioritize stakeholder

interests, as Wheeler and Saillanpaa suggested, the concept appears to be one that will impact management thought in the 21st century.

Studies in Reinvention

Though there are several interesting cases worth examining at the state and local levels, because this research deals with the FAA, a federal agency, the review of literature will also examine a federal agency whose customer base and impact are similar: The Internal Revenue Service.

A Study of the Internal Revenue Service

The Internal Revenue Service (IRS) is responsible for the administration and enforcement of the internal revenue laws, except those related to alcohol, tobacco, and firearms. Its mission is:

> To collect the proper amount of tax revenue at the least cost to the public, and in a manner that warrants the highest degree of public confidence in the Service's integrity, efficiency, and fairness. To accomplish that purpose, the Service:
> Strives to achieve the highest possible degree of voluntary compliance in accordance with the tax laws and regulations;
> Advises the public of their rights and responsibilities;
> Determines the extent of compliance and the causes of noncompliance;
> Properly administers and enforces the tax laws; and
> Continually searches for and implements new, more efficient ways of accomplishing its mission. (Office of the Federal Register, 1999, p. 461)

Basic tasks with which the organization is involved include resolution of taxpayer complaints, taxpayer education, determining, assessing, and collecting taxes, and determining pension plan qualifications. The majority of revenues are collected from the

income tax of individuals, social insurance and retirement taxes, and corporation, excise, estate, and gift taxes (Office of the Federal Register, 1999).

Originally known as the Internal Revenue Bureau, the IRS was formed in 1903. The agency had only 400 employees who collected approximately $230 million in taxes, primarily from the sale of alcohol, tobacco, and margarine. The passage of the 16th Amendment in 1913 established the personal income tax, and the Social Security Tax was passed in 1937, leading to a vast expansion of the agency (Rubins, 2000). The IRS collected $1.7 trillion in 1999 (Rossotti, 1999).

The IRS was designed for "maximum decentralization," with three organizational levels in order to serve its stakeholders and make its resources available to them. These levels include a national office, 4 regional offices, and 33 district offices throughout the country. There are additionally 10 service centers located in various cities of the United States (Office of the Federal Register, 1999).

Just after World War II the IRS was involved in a corruption scandal that involved nearly every level of the agency. Congressional hearings led to a reorganization of the IRS and a simultaneous implementation of a computer system that was considered the world's most advanced at the time (Transactional Records Access Clearinghouse, 2000). The IRS' second major scandal and subsequent reorganization came in the late 1990s.

The Need/Reason For Change

By the mid-1990s the IRS had come under fire from the American public. The agency had become perceived as a "bureaucratic bully," operating inefficiently and in a

manner that was often unfair to the taxpayers its mission claimed to serve. The IRS was the subject of a great deal of negative press in which it was blamed for, in numerous cases, violating the rights of the American taxpayers. In1990 *Money Magazine* described a case in which a man committed suicide over his frustration with the IRS (Lalli, 1990). Though an extreme case, the story brought to light and helped prompt the investigation that led to the reforms that were later implemented at the IRS. The testimony of the widow and hundreds of other similarly dissatisfied taxpayers in Congressional hearings a few years later helped paint a very negative picture of the IRS.

Public outcry for agency reforms led Al Gore's task force for the reinvention of government (empowered by Executive Order 12862, "Setting Customer Service Standards") to investigate the IRS and to provide action items for improving service. Customer research had shown that many Americans felt the IRS was both unproductive and unresponsive to the needs of the taxpayers. A special Customer Service Task Force, under the direction of the National Performance Review, was commissioned in 1997 and driven by Gore's notion that it was time for the IRS to recognize the American taxpayers as its customers (Gore & Rubin, 1998).

The Change Process

The Task Force consisted of over 60 managers and front-line employees from the IRS, along with a cross-section of members from the Department of Treasury, and the National Performance Review. The Task Force interviewed hundreds of taxpayers, met

with professionals who prepared tax returns for their clients, read letters of complaint, and personally listened to customer complaints.

Several pilot programs had resulted from IRS employee suggestions. These programs were studied in great detail and efforts were made to ensure their success. Such programs included taxpayer education programs and programs to assist small businesses facing bankruptcy due to tax debt.

The Task Force additionally studied private sector firms known for exceptional customer service along with those governmental agencies that were progressing in their adoption of a stronger customer focus, particularly regulatory agencies that, like the IRS, had the challenge of "enforcement" over the customers they served. Agencies like the Environmental Protection Agency (EPA) and the Occupational Safety and Health Administration (OSHA) proved interesting case studies for the task force. Research revealed that these agencies had developed partnerships with the individuals they regulated, and revealed that the agencies had found that working to develop equitable relationships and treating the customers of the agencies as stakeholders translated into greater compliance with the regulations for which the agencies were responsible (Gore & Rubin, 1998).

Just as they had been involved in research to determine where the problem areas were, taxpayers were involved in surveys via the mail and telephone and focus group research as a means of obtaining their feedback regarding what should be done to improve the IRS. One "Problem Solving Day" was held at which over 6000 taxpayers shared concerns and suggestions for improvement. The things customers said they wanted

included: Courteous, respectful and fair treatment from IRS employees; easier, more

simplified tax forms, greater access to help when they needed it; and for problems to be

quickly resolved when they arose (Gore & Rubin, 1998).

From the Task Force's research and study, over 200 action items emerged as ways

to address the concerns of taxpayers and other stakeholder groups of the IRS, and led to

recommendations and actions used in developing the IRS Restructuring and Reform Act

of 1998. The findings are summarized below into 10 key action areas as summarized in

the 1998 progress report, *Reinventing Service at the IRS*. These 10 key actions are

presented below and are then discussed individually. The recommended actions that

resulted from the Task Force's study include:

1.   Banning measures that undermine fair treatment of taxpayers
2.   Provide better telephone service
3.   Make it easier to get answers
4.   Reduce and simplify forms and notices
5.   Strengthen customized support for small businesses
6.   Expand electronic filing
7.   Introduce new payment options
8.   Eliminate unnecessary filing
9.   Upgrade technology to improve customer service
10.   Improve customer service training. (Gore & Rubin, 1998, pp. 7-9)

After research confirmed that the IRS had afforded its customers less than

equitable and sometimes downright punitive treatment, the agency pledged to eliminate

those measures that undermined the fair treatment of taxpayers. The IRS stopped

assigning dollar collection goals for its districts and service centers, and pledged to

restructure the selection and evaluation process used in obtaining and developing

employees. The agency also planned to expedite the complaint handling process and to

make a thorough study of the fairness of penalties and make recommendations to Congress on which should be eliminated (Gore & Rubin, 1998).

Borrowing from Kaplan and Norton's methodology, the agency worked cooperatively with the National Treasury Employees Union to design a stakeholder scorecard that rated performance based on customer satisfaction, employee satisfaction, and business results. Underlying the employee evaluation process improvements was the theme of the entire reinvention itself, which was the fair and equitable treatment of taxpayers. A specific focus was placed on customer satisfaction (courteous, timely and professional treatment) rather than enforcement (number of dollars collected or assessed, and so forth) (Journal of Accountancy, 1999).

The agency pledged to improve its telephone service by extending the hours of operation of the telephone service to 16 hours a day, 6 days a week and planned to extend the availability to 7 days a week in 1999. The agency also developed a more effective call routing system to accommodate specific questions and higher call volume. The routing system also enabled the Agency to meet service demands across time zones. The improved system offered features for both consumers and tax professionals (Gore & Rubin, 1998).

Customer surveys revealed that taxpayers wanted more readily available assistance with questions and problems. To address the need, the IRS expanded office hours to include Saturdays during the busiest weekends of the filing season, and offered more convenient locations at which taxpayers could seek answers and advice (Gore & Rubin, 1998).

Research also revealed that customers wanted simpler forms and notices. A task force was formed to reformat IRS forms, notices, brochures and other correspondence in the simplest language possible. The goal was not only to put the correspondence into "plain English" that American taxpayers could understand, but to additionally accommodate the large and growing number of non-English speaking taxpayers. The agency set the goal of eliminating 30% of all notices, which equated to over 45 million pieces of mail (Gore & Rubin, 1998).

The number of small businesses in the U.S. increased dramatically during the 1990s, but research suggested that the IRS had not made strides to meet the needs of the small business community. In 1998 the agency worked jointly with numerous other agencies at both the state and federal levels to provide tax training and consultative services for start-ups. The agency additionally developed around the clock telephone assistance for small businesses, as well as support for small businesses experiencing tax problems for the purpose of helping small businesses overcome their problems and remain in business (Gore & Rubin, 1998).

The IRS increased the number of taxpayers filing electronically in 1998, and increased the number of forms that could be submitted electronically. Taxpayers were afforded the ability to pay via bank draft in 1999, and a credit card payment system was also tested in 1999 as a way to expand electronic filing and offer more convenient payment options (Gore & Rubin, 1998).

According to the IRS, almost two million lower-income and elderly taxpayers unnecessarily file federal tax forms. In 1998, the agency increased its efforts to make this

segment aware that they do not need to file, thereby saving the IRS and the taxpayer time and money (Gore & Rubin, 1998).

"Modernization" was a term frequently used in the literature related to the IRS' efforts to more efficiently serve taxpayers through increased technology. In addition to the telephone system discussed earlier, the agency enhanced its website and the automated hotline through which taxpayers could access information such as refund status (Gore & Rubin, 1998).

An agency-wide customer service training program was initiated prior to the 1998 tax season as a means of ensuring that taxpayers would receive the best service possible. The training also helped reinforce the changes within the agency while providing the employees the tools essential in successfully implementing the changes (Gore & Rubin, 1998).

A substantial change made was the IRS' modification of its mission in accordance with the Restructuring and Reform Act of 1998. The new mission statement read:

> Provide America's taxpayers top quality service by helping them
> understand and meet their tax responsibilities and by applying the tax law
> with integrity and fairness to all. (Rossotti, 1999)

Progress Measurement

The 1999 report, *Modernizing America's Tax Agency*, actually provided little in terms of detailed descriptions of progress made since its reorganization in the previous year. This is perhaps because, as the report recognized, the change process is ongoing, it will take several years, and considerable risk exists that the progress will not happen as

planned or expected. The report reemphasized the objectives and the agency's

commitment to the reinvention on behalf of the American taxpayers (Rossotti, 1999).

The report discussed how the agency has further developed Balanced Scorecard

evaluation throughout the organization. The report suggested that both management and

employees had been pleased with the results seen so far, and more were expected to come

as part of the process (Rossotti, 1999).

The same press whose coverage helped necessitate the reinvention process had

closely monitored the reinvention process. Though skepticism still exists concerning the

IRS's ability to "reform itself," some articles seemed to share the optimism

Commissioner Rossotti expressed in the progress report. The agency was praised in a

February 1999 *Businessweek*, "A Kinder, Gentler IRS?" and recognized for "making

strides" in treating taxpayers more respectfully. The author interviewed the tax

committee chair of the American Institute of Certified Public Accountants, who stated

that the telephone demeanor had begun to sound "cheerier," and that those with whom he

had negotiated had begun to act less bureaucratic and more like "reasonable people." The

author additionally noted, almost as a caution, that the IRS' "New kindness could

disappear as fast as it came" (McNamee, 1999, p. 128).

Current Situation at Mike Monroney Aeronautical Center

The Mike Monroney Aeronautical Center (MMAC) experienced the typical

governmental hierarchical structure from its inception in the 1950s into the early 1980s.

During this time governmental organizations had begun to feel the mounting pressure to

operate with the same level of accountability and efficiency as their private sector counterparts. Though, as mentioned previously, the Reagan Administration made some progress toward streamlining the structure and operation of the Federal Government, it was not until late 1993 during the Clinton Administration, with the appointment of Vice President Al Gore's National Performance Review (NPR) that the Federal Government was charged with restructuring itself.

The first NPR report was issued in 1993 and called for massive cuts in virtually every governmental agency. Many organizations, including the Mike Monroney Aeronautical Center, used *From Red Tape to Results: Creating a Government that Works Better and Costs Less* as its handbook for the process. The book outlined how forthcoming attrition, employee buy-outs, and goals for what the officials considered optimal staffing levels would affect the strategic plans of each division.

Many organizations at the MMAC lost levels of management and were "straightlined." That is, rather than report to management at the MMAC, organizations would report directly to FAA headquarters in Washington. The MMAC organizational chart shown in Appendix A better illustrates how this is reflected in the chain of command.

The Human Resources Management Division (HRMD) of the MMAC is the primary focus of this case study because in addition to making radical adjustments itself, the HRMD's relationship with its stakeholders was dramatically affected. Once the changes were outlined, the HRMD Director at the time held meetings within the HRMD team to discuss possible implications and to form contingency structures.

Simultaneously, the HRMD Director personally met with customers to inform them of what was about to occur and to seek input from them on how the forthcoming restructure would affect the current relationship. The HRMD Director additionally sought input on how they would optimally like to interact with HRMD, what services they would like to see provided, how to best operate within the boundaries that the resulting limited resources would create.

Once input was obtained from both staff and customers/stakeholders, the HRMD developed a blueprint depicting the revised structure and revisited the department's customers/stakeholders. A key change that resulted was that most divisions were provided with a customer service representative whose job it was to serve as the organization's personnel consultant. The service representative essentially became an extension of the divisions they served, providing a comprehensive source of personnel information. Whereas in the past organizations often had to contact several different individuals within the HRMD in search of solutions, under the new structure, all that was necessary was to present the problem to the service representative. He or she would then do the necessary research and present the customer with answers. This strategic initiative was dubbed "one-stop shopping" in that it was designed to save the customer time and aggravation. An additional responsibility of the service representative was to learn the organizations he or she served so well that their roles were not just that of problem solver, but to foresee predictable problems and help their customers avoid them where possible.

CHAPTER III

DESIGN OF THE STUDY

Research Design

The purpose of this study was to investigate the evolution of the marketing

concept and the changes in managerial philosophy required to implement and develop the

concept of internal and external "stakeholders" served by the organization. The findings

documented the thoughts and reflections of those managers involved in the development

of the more customer/stakeholder-oriented philosophy. The findings of the study could

not only benefit the HRMD organization by providing a historical perspective from

which future decisions may be enhanced, but could serve as a resource to other

organizations, both public and private, involved in the implementation of similar

management philosophies.

Research Questions

The research addressed the following questions:

1. What led the FAA to adopt the stakeholder focus?

2. What challenges were faced in the adoption of the process?

3. What are managers' perceptions of the current situation?

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4.   What reflections/suggestions do managers involved in the process have in

retrospect?

Overview of Case Study Methodology

Case study research is a component of qualitative research design (Yin, 1998).

According to researcher Stephen Isaac, case study research may involve an entire "life

cycle" of an event or may study only a selected segment of an event or occurrence. It

may focus on specific factors related to the event or may study the "totality" of the

elements and events. Isaac notes that such studies are particularly useful as background

information for more in-depth research or for developing hypotheses to be examined in

future research studies (Isaak, 1995).

However, Isaac is quick to point out, as do several authors (Yin, 1998; Merriam,

1997), that case studies are often criticized for their "limited representativeness." Case

studies and qualitative methodologies most often are in-depth studies of smaller samples.

Though this provides a detailed study of a specific problem, whose benefits include

extensive interactions with study participants, such research is sometimes limited in its

ability to be generalized validly to larger populations until the appropriate follow-up

research, usually involving a larger or broader population, is conducted (Isaac, 1995).

Though qualitative research has gained wider acceptance even in the once

"quantitatively driven" field of business research (Gummesson, 1999), academia is still

mired in what Robert Worthen, co-author of *Program Evaluation,* called "An unfortunate

qualitative vs. quantitative debate" (1999, p. 71). Worthen believes that much of the

criticism associated with the validity of qualitative research exists because critics of the method either took the results of the study out of context or the researchers did not follow the appropriate protocol during its implementation. Worthen stressed that those who criticize qualitative methods as "soft" should remember that qualitative research was meant to be used as an exploratory tool and should ultimately be considered a valuable *supplement* to quantitative research. Worthen adds, somewhat tongue-in-cheek, that when asked which methodology is most appropriate for a situation, the answer is "both!"

Leedy (1997) of the qualitative versus quantitative "debate" said, "I believe that both research traditions provide answers to important questions. There is no 'right' or 'wrong' approach; each [methodology] yields valuable yet different information" (p. 169).

These findings were the basis for the design and methodology of this study.

Selection of the Sample

A purposive sample was chosen which included managers from selected divisions, tenant organizations, and HRMD Managers who brought to the study a variety of perspectives based on their respective roles and level of involvement during the implementation of the stakeholder concept.

Instrument Design

In accordance with the "Modified Analytic Induction Approach" described by Bogdan and Biklen (1998), the research questions were purposely kept very simplistic

and open-ended. Specific research questions posed were derived from the broad research questions. A copy of the survey instrument is included in Appendix A.

One advantage of qualitative research is that the participants studied may be revisited if the researcher deems it necessary due to the emergence of findings that warrant more probing on a particular topical area (Rubin & Rubin, 1995). The interview questions essentially served as a guiding framework for the interviews rather than an inclusive set of parameters. Where one interview led to the emergence of an interesting or otherwise unexplored topical area, the interviewee was granted the latitude to express himself or herself in order to avoid ignoring potentially valuable feedback. Similarly, if the "un-scripted" topical area appeared worthy of address from the other participants, the researcher re-contacted the other participants to seek their input on the item (Rubin & Rubin, 1995).

Consent to Human Subjects

The case study was not experimental in nature but did involve human subjects. As such, approval was sought from the Institutional Review Board at Oklahoma State University. Approval was granted December 4, 2000. A copy of the IRB approval notification is presented as Appendix B.

The Director of the MMAC was consulted prior to the process and approval was sought before any formal research was initiated. The Director's input concerning design was also sought throughout the process and the Director's approval was obtained for the final draft prior to its initiation.

The researcher informed participants in the personal interviews that those responses intended for inclusion in the final report would be presented to them beforehand for their approval. A copy of the letter is presented as Appendix C.

Respondents were informed that they would be identified in the research by numerical coding only. Participants were additionally informed that the findings of the research would be presented to management in summary form only and that they would not be individually identified in the published report. Respondents read and signed the consent form (Appendix D).

Methodology

Because much of the research was exploratory in nature, its method was primarily qualitative. The personal interviews were designed using the research objectives, and input was sought from the MMAC Director throughout the process.

The review of literature and the development of the methodology were essentially conducted simultaneously. Were this study a quantitative one, doing so would violate protocol, but such direction is acceptable using qualitative methodology. In qualitative research, themes and hypotheses may emerge at various points throughout the research process, and are subject to change at virtually any time (Galvan, 1999).

Data Collection

Personal interviews were scheduled at times convenient to the interviewees in accordance with the expectations set forth in the cover letter that preceded the appointment. The interviewer took notes on a legal pad and made a recording of each

interview. Two tape recorders were used in tandem to safeguard against mechanical failure (Rubin & Rubin, 1995). The participants were informed that the interviewer would be recording the interviews in addition to taking notes in order to ensure accurate data collection. Permission was sought prior to using the tape recorder. The recorder was kept nearby but as indirectly aligned with the respondent as possible to help the respondent concentrate less on the tape recorder and more on the questions presented by the interviewer (Gorden, 1992). Each interviewee was asked for his or her detailed response to the basic interview questions contained in Appendix A, though the interview questions essentially served more as a guide for the interviewer (Rubin & Rubin, 1995). The respondent was encouraged to elaborate in his or her own words with the researcher interacting only to clarify points or elicit additional information (Frey & Oishi, 1995). At the conclusion of the interview agenda, respondents were given the opportunity to add any additional comments or afterthoughts that might have arisen upon reflection. This procedure also allowed the respondent closure or the feeling that he or she "got the last word in" (Rossett, 1987).

Respondents were thanked for their time and reminded that they would not be identified by name in the study. Respondents were reminded that the researcher might be contacting them after the initial examination of the data to clarify a point or ask additional questions (Merriam, 1998).

Data Analysis

Once data were collected via tape recorder, tapes were assigned a code number. An independent third party then transcribed the findings. The researcher visually reviewed the responses, noting any themes or "key words" that emerged. The word search feature in Microsoft Word was also used to see which words appeared most frequently. The Word files were then downloaded into NUDist software, a qualitative analysis program. As trends emerged from the initial examination, they were noted and evaluated to determine whether or not to seek further input from the respondents (Strauss & Corbin, 1998). Trends that were relevant to the objectives were also set aside for discussion in the conclusions and recommendations sections. Prior to bringing the data collection phase of the investigation to closure, interview data were triangulated with the findings from the review of literature and the researcher's observations.

CHAPTER IV

FINDINGS

Introduction

The findings of the study document the thoughts and reflections of 12 managers involved in the development or implementation of the customer/stakeholder philosophy of the Mike Monroney Aeronautical Center (MMAC).

The purpose of this study was to investigate the evolution of the marketing concept and the change in managerial philosophy required to implement and develop the concept of internal and external "stakeholders" served by the Human Resources Management Division (HRMD) of the MMAC organization. The study focused primarily on the HRMD because it has interaction with virtually every organization located on the MMAC campus.

The broad research questions addressed in the study included:

1. What led the FAA to adopt the stakeholder focus?

2. What challenges were faced in the adoption of the process?

3. What are managers' perceptions of the current situation?

4. What reflections/suggestions do managers involved in the process have in retrospect?

These research questions formed the basis of the interviews conducted with a cross section of division managers, managers from tenant organizations, and managers from the HRMD of the Mike Monroney Aeronautical Center (MMAC). The questionnaire contained in Appendix A was used primarily as a guide to enable the interviewer to probe various topical areas if necessary.

Presentation of Findings

The research findings were presented by respondent area, and the respondents are referred to throughout the report as "the interviewee." The research question or topical area has been presented as a heading, with the question underlined, followed by a summation of each response. Where appropriate, comments were shown verbatim to illustrate or explain a particular point made by the interviewee.

Demographics

Interviewees 1 through 6 were from various managerial divisions and executive level management at the MMAC. Interviewees 7, 8, and 9 were managers from tenant organizations, and Interviewees 10, 11, and 12 were from the HRM Division of the MMAC.

Because the MMAC is a very small community and because the purpose of the research was to objectively study processes rather than conduct design interventions, specific demographic profiles are omitted to preserve the anonymity of the interviewees. Interviewees were assured that their responses would be identified by number only in

order to protect their confidentiality. Similarly, interviewees are not identified by gender in the presentation of findings, and are instead referred to throughout as "the interviewee." Findings for each research question are first summarized and/or paraphrased, then are supported by verbatim comments if appropriate to clarify meaning or substantiate a point made by the interviewee. This was done to preserve the authenticity of the comments.

Findings from Division Manager Interviews

Division Managers' Comments on "Stakeholder Concept"

The review of literature and preliminary observations at the MMAC suggested there was some question regarding the degree of adoption of the term "stakeholder." As such, interviewees were presented with the definition of the term "stakeholder" as defined in this research. They were then asked for their opinions about the term and specifically whether or not they believed the restructure of the HRMD was based on such an approach.

Division Managers agreed that the operational philosophy of the HRMD was consistent with the stakeholder concept. Additionally, almost all of the Division Managers shared a belief that the changes were more structural than philosophical. Many adamantly believed that the HRMD had operated with a customer or stakeholder-focus for quite some time.

Interview Question: In your opinion, was the HRM reorganization based

on a stakeholder approach?

Interviewee 1. Interviewee 1 agreed that the reorganization was based on the

stakeholder approach, but also stated a belief that the "dwindling resources" such as a

loss of staff were chief contributors to the need for change. While Interviewee 1 agreed

with the stakeholder concept in principle, the respondent expressed concern that "buzz

words," while sound in principle, had the potential to be detrimental to buy-in.

Interviewee 2. Interviewee 2 stated that the term "stakeholder" most aptly

described the relationship the interviewee had with the HRM division. However, the

stakeholder philosophy and customer orientation of the HRMD existed before the formal

restructures took place.

Interviewee 3. Interviewee 3 indicated familiarity with the stakeholder term, but

did not believe it was a term used that often. This interviewee expressed the belief that

the HRMD had always been "customer driven."

Interviewee 4. Although Interviewee 4 did not recall hearing the exact term

"stakeholder" as a description of the relationship with HRMD, the study agreed that the

definition of a "stakeholder" as presented in the study was an adequate description of the

interviewees relationship with that division.

Interviewee 5. Although the current relationship with HRMD could be described

within the provided definition of stakeholder, Interviewee 5 believed the relationship

evolved over time rather than being the result of a simple initiation. Interviewee 5 stated that once the idea was articulated and demonstrated, the stakeholder approach was prevalent.

Interviewee 6. Interviewee 6 was familiar with the stakeholder concept as a term not only used by HRMD but in the interviewees own organization. The interviewee's organization also served various stakeholders those stakeholders had investments in the organization's operations and a "stake" in its future.

Division Managers' Comments on What Led to the Change

Some Division Managers were unable to pinpoint the reasons for the HRMD reorganization. Most cited the results of the National Performance Review (NPR) as a basis for the change initiatives. Division managers stated that the a downsizing trend had been occurring throughout the Federal Government for many years, and that the release of the report in the early 1990s was the catalyst for the change. Division Managers said the HRMD recognized it would be forced to operate with fewer personnel than in the past and that its management took the initiative to orchestrate the changes necessary.

Interview Question: In your opinion, what led to this change?

Interviewee 1. Interviewee 1 explained that the government had been in a "downsize" role for several years and stated a belief that the HRMD reorganization was, like the restructure of the respondents own organization, done out of necessity. The diminished resources had essentially driven many organizations into what the Interviewee

labeled "survival mode." In the opinion of the Interviewee, the reorganization of the HRMD was based primarily on the need to "survive," because the respondent believed the HRMD could have been out-sourced in an extreme case.

Interviewee 2. Interviewee 2 believed the HRM was forced to downsize because it was losing resources. Interviewee 2 additionally believed that the HRMD was very concerned with being able to provide the level of support its customers had come to expect but with fewer employees.

Interviewee 3. Interviewee 3 was not sure exactly what led to the reorganization, due in part because the customer service representative relationship was already in place before the restructure was initiated organization-wide. The interviewee described the customer service representative as the Interviewee's key point of contact for the organization's human resource needs. The relationship with HRMD had for some time been very customer focused and the interviewee complimented the service of the HRMD for its customer service initiatives.

Interviewee 4. The HRMD had always been very customer focused according to Interviewee 4, the only significant changes the Interviewee noted were in the reporting and chain-of-command structure created after the HRMD was straight-lined. This meant the HRMD reported directly to Washington after the change and not to the MMAC Director.

Interviewee 5. Interviewee 5 was initially unsure of the rationale for the change and perceived that there had been "two or three reorganizations." The Interviewee additionally stated that the changes were not instantly implemented but instead evolved over some time. Upon further discussion, the Interviewee stated that the changes were driven in part by the "significant downsizing" affecting government at the time. Philosophically the entire government was attempting to perform more like private sector businesses. The reorganizations were based in part on a desire to meet the needs of its customers and that it was not the intention of the HRMD to "force" the changes upon its customers. The Interviewee agreed with the Interviewer's assumption that this was a compliment to the customer-oriented HRMD.

Interviewee 6. Interviewee 6 believed that the reorganization was strategic in nature and was hardly an experimental whim on the part of the HRMD. The Interviewee stated that the restructure was the direct result of a scarcity of resources in the HRMD brought on by both attrition and the mandated reforms. Downsizing did not afford the HRMD management team a good deal of flexibility, and Interviewee 6 complimented the HRMD division's ability to work in what the Interviewee described as an "imperfect situation." Interviewee 6 did not believe the Interviewee's organization had any influence in the decision to reorganize, but did believe that the HRMD's commitment to all of its customers heavily influenced the process. The Interviewee perceived that "a ton of cuts [staff reductions]" were the catalyst for the reorganization itself, but that the HRMD's customer dedication was the primary guiding principle for the process.

Division Managers' Comments on the Process:

Implementation/Challenges

Almost all of the Division Managers noted they realized changes would be coming as a result of the NPR, or through inter-organizational hearsay. The majority of the Division Managers were personally informed of the forthcoming changes through a personal debriefing from the current HRM Director. The HRMD visited the customers once the proposed staff reductions would affect the HRMD, and solicited feedback from the customers regarding how the process should optimally occur based on customer needs. Some Division Managers noted that the HRMD Director made more than one visit during the process.

Though there was concern over what the reductions in staff within the HRMD would mean to the Division Managers' organizations, most were not particularly skeptical about the proposed changes. Division Managers attributed this lack of skepticism to their confidence in the HRMD personnel with whom they had interacted, and often referred to their perception of the HRMD as a customer-focused organization prior to the changes.

Interview Question: When did you first learn of this change?

Interviewee 1. The HRMD Director personally informed Interviewee 1 when the changes were proposed. According to the Interviewee, the HRMD manager first debriefed the MMAC upper management, then visited the staff meetings of each division. The HRMD director provided an overview of what it appeared the proposed

changes/cutbacks would mean to the organizations. The Interviewee said that once this stage was completed, the manager of HRMD then arranged individual meetings with division managers and key personnel and explained what was planned and actively involved them in the process. The HRM director then took this input back to the HRMD and prepared a blueprint based on the input. Although the blueprint was not always exactly what the Interviewee or the Interviewees peers had hoped for, the Interviewee felt there was "give and take on both sides," and that the HRMD management listened empathetically and attempted to accommodate as many of the Interviewee's requests as possible.

Interviewee 2. According to Interviewee 2, the HRMD director and the member of HRMD who would ultimately be the Interviewee's customer service representative attended meetings in the Interviewee's organization, interacting as deemed appropriate. The HRMD manager and service representative then met with the Interviewee and discussed specifics relating to the changes. During this dialogue exchange, the Interviewee recalled emphatically urging the customer relationship that had existed in the past remain in place. The Interviewee appreciated having local expertise concerning such issues as benefits, how to advertise position vacancies, and hiring procedures. The Interviewee found it very convenient to merely "walk across the street" to have access to this expertise. The Interviewee indicated that such issues were discussed at this meeting, and praised the fact that the HRMD was concerned with obtaining customer feedback. The Interviewee went on to explain that such empathetic listening was a trait the

Interviewee's organization appreciated about the HRMD. "That's something we value in them . . . they always listen to us," the Interviewee explained.

Interviewee 3. Interviewee 3 recalled frequent interaction with the HRMD management team, though much of it was informal contact via staff meetings and the like. Much of the information obtained pertaining to the planned change came to the Interviewee through this channel, but there were specific meetings at "structured times at least once a year" during which customer feedback was sought. This channel was used to "formally" notify the Interviewee of what was to transpire. In this meeting, the Interviewee remembered discussing in detail that the HRMD would soon thereafter face limited resources, and that it was important to the HRMD management to ensure that the limited resources were concentrated on customer priorities. The fact that the HRMD was facing limited resources also meant that some of the services previously provided by the HRMD would likely become the responsibility of the organizations.

Interviewee 4. Interviewee 4 recalled first becoming aware that changes were forthcoming when the restructures were announced in Washington. The Interviewee stated that the HRMD then arranged a personal meeting to discuss how the proposed changes were being addressed within the HRMD and how the changes could affect the Interviewee's organization. As a result, the Interviewee's organization was assigned a customer service representative and a staffing specialist. The Interviewee believed this was a positive change because the new relationship would result in the Interviewee's division having to deal with the assigned service representative and staffing specialist.

Previously, the Interviewee had to deal with "a whole lot of different people" when human resource-related needs arose.

Interviewee 5. Interviewee 5's perception was that there had been "about three different reorganizations," due to the recommendations that emerged from the National Performance Review. The NPR report was the means through which Interviewee 5 first learned of the changes, and was later debriefed as the changes related to the Interviewee's organization.

Interviewee 6. Although Interviewee 6 had "heard that some changes were on the way" as a result of NPR, specific debriefings were given the interviewee by the HRMD director at the time. According to the Interviewee, the HRMD took the initiative of "knocking on doors" to solicit feedback on the current situation and how it could be maintained or improved in the wake of the restructure that was approaching. The Interviewee described the HRMD as "very open to feedback," both negative and positive and the Interviewee was impressed with the sincerity demonstrated by the HRM Director.

Interview Question: What was your initial reaction to these changes?

Interviewee 1. Interviewee 1 was "not skeptical at all." The Interviewee attributed this lack of skepticism to the Interviewee's experiences with the HRMD, restating the belief that the HRM division had "always been pretty customer service oriented" in the Interviewee's experience with the HRMD.

Interviewee 2. In contrast, Interviewee 2 was "a little afraid" that the fewer personnel in HRMD to serve the Interviewee's organization would result in the organization no longer experiencing the level of service from the HRMD that had become their expectation. The interviewee went on to state that there was never a lack of confidence in the HRMD or its management. Interviewee 2 "knew [the HRMD director] would find a way," which the Interviewer clarified was a testament to the service ethic of the HRMD. The Interviewee added that though there could have been service concerns within the HRMD, the Interviewee's organization noticed no declines in service.

Interviewee 3. Interviewee 3 was first made aware of pending changes via a personal visit from the HRMD Director, and was assured that the changes were intended to maintain the level of service the Interviewee had previously known. The Interviewee added that during the visit from the HRMD Director, the Interviewee's feedback was sought concerning how the relationship could be improved. The Interviewee had no concerns that there would be any declines in service quality and attributed the lack of concern to confidence in the current HRMD team. The Interviewee described the satisfaction level with the HRMD as "already at a high level" due to the service provided and the ease of communication with and the level of trust the Interviewee had in the HRMD.

Interviewee 4. Interviewee 4 stated that because changes in structure and operation within the government had become so prevalent during the 1990s, the Interviewee had no "particular reaction" to the proposed changes. However, the

interviewee was concerned with making sure the Interviewee's organization was not "short-changed" in terms of service.

Interviewee 5. Similarly, Interviewee 5 described the changes as "no big deal' considering that the Interviewee had previous experience with reorganizations. Though the Interviewee did have minor concerns about what the reductions in staff could mean in terms of service, the Interviewee was in agreement with the concept of centralization.

Interviewee 6. Employees in Interviewee 6's organization not only understood the necessity and meaning of the proposed changes, but could empathize because the Interviewee's own organization was going through similar changes at the time. The Interviewee added that the HRMD's track record as a customer driven organization gave them substantial credibility when attempting to "sell" its customers on the process.

Division Managers' Comments on Current Situation

Most Division Managers expressed satisfaction with the reorganization. Most were particularly pleased with the time saving feature of the "one-stop shopping" concept; that is, the ability to make one contact with the HRMD customer service representative when a need or problem arose, who then made the necessary contacts within the HRMD to provide solutions to the issue. Division Managers also praised the more proactive relationship the customer service representative concept provided, citing that as a major tangible benefit of the reorganization.

Some managers described themselves as "satisfied," but not "delighted" customers of the HRMD. In most cases this was less a criticism of the HRMD personnel and more a charge that the HRMD organization was not adequately staffed to perform the duties the reorganization originally promised.

Interview Question: How would you describe the current situation?

Interviewee 1. The addition of the customer service representative created a much more proactive than reactive relationship according to Interviewee 1. Because the customer service representatives were now considered essentially an extension of the Interviewee's own management team under the new "stakeholder concept," their input was more often sought and was more widely accepted. The Interviewee believed that the customer service representatives felt a greater sense of ownership and were more comfortable and credible when making operational or even strategic recommendations. Additionally, because the customer service representative was actually still part of the HRMD, the representative was considered an objective contributor. The Interviewee explained that prior to the change, a need arose, a contact was made to the HRMD, and then a "back and forth kind of thing" occurred, which the Interviewee considered a frustrating and time consuming exchange of phone calls, meetings, e-mails, and the like. The Interviewee stated that under the new concept, thanks to the ongoing involvement of the service representative, a great deal of "conversation" occurred which was beneficial to the relationship. In fact, the Interviewee believed thanks to the customer service

representative's involvement, the representative came to know almost as much about the Interviewee's organization as the employees and managers who worked there.

The interviewee went on to speculate that there could be additional changes in structure or operation in the future, which the Interviewee deemed likely considering the changes in operational philosophy currently underway within the government. If that were to be the case, the proactive nature of the "new" relationship with the customer service representative would enable them to make "whatever adjustment is necessary" to continue to perform effectively.

Interviewee 2. "I can't say I see improvement, but it's not their fault" was the statement Interviewee 2 used to describe the current situation. The Interviewee went on to state that the changes in personnel systems and rules created "some turmoil" in the HRMD. There were concerns at times in Interviewee 2's organization because the HRMD had to rewrite so many procedures due to new personnel rules or revamp the old rules. The lack of clarity on how to proceed in some instances was frustrating for Interviewee 2's organization. However, the HRMD found ways for the Interviewee's organization to work within the confines of the new regulations, and ultimately the HRMD did "an excellent job of writing something with built in flexibility."

Interviewee 3. Interviewee described the current situation as a success based on the implementation of the "one-stop shopping" concept. The Interviewee appreciated being able to make "one phone call" to HRMD and have a problem addressed, whereas prior to the change the Interviewee had to know what individuals or departments handled

which issues. The Interviewee stated adamantly, however, that the Interviewee did not note a "huge change" in philosophy and commitment to customer service because such a philosophy existed before the reorganization.

Interviewee 4. Although Interviewee 4 believed that the customer service representative would be more heavily involved after the change, the interviewee currently prefers to use the representative on an "as-needed" basis. The Interviewee usually initiated contact with the service representative when the need arose, or the service representative would initiate contact if a change in policy or other situation that needed explanation arose. The Interviewee was pleased with the fact that the HRMD had not "moved people around a lot," keeping the same service representatives in place in order to foster the relationship. Although the Interviewee believed, "they understand they're in the service business," the Interviewee described the resources provided by HRMD as "kind of middle of the road," and cited a few examples specific to the Interviewee's organization. The Interviewer asked if Interviewee 4 might best be described as "satisfied," but not "delighted," to which the Interviewee agreed.

Interviewee 5. Interviewee 5 described the previous structure of the HRMD as "fragmented," and explained that when a question or need arose, the Interviewee often had to "track down" the appropriate contact in HRMD to solve the problem. The Interviewee stated that under the new structure, the customer service representative "Understands your business challenges, your particular needs" and articulates those needs through the appropriate channels in HRM. The Interviewee thought that consultative

approach was beneficial to managers not only because of the time savings, but because of

the expert knowledge the consultants now had of both personnel issues and the

Interviewee's business. According to the Interviewee, who had been in several

managerial roles in the FAA, many managers are experts in their fields, but do not know

how to ask for what they need to solve a particular problem from the HRMD. Because of

the customer service representative's now intimate relationship with the divisions, the

Interviewee believes they have the ability to "understand more about each other's

perspectives." The Interviewee said the current structure enables the manager to explain

issues or concerns to the customer service representative, who then takes up the task of

finding a solution. In the past the manager had to "knock on each door" in HRMD in

hopes of finding the appropriate HRMD professional to solve the problem.

Interviewee 6. Interviewee 6 credited the HRMD with making the most out of a

"miserable situation;" that is, the loss of what the Interviewee estimated was

approximately 50% of the HRMD staff as a result of attrition and the restructures that

took place at the same time. The Interviewee said the Interviewee's department grew a

bit fatigued with what seemed at first like a lot of "Woe is me's" from the HRMD over

the staffing cuts. According to the Interviewee, "We had our cuts too." The Interviewee

emphasized admiration for the ability of the HRMD Director who was responsible for

creating the new structure because the director had to deal with such limited resources.

The Interviewee recalled that the HRMD Director made several requests to headquarters

for more resources on behalf of the department and its customers and those requests were

repeatedly turned down. Interviewee 6 praised the HRMD Director's dedication to the staff of the HRM and the success of the current situation.

Interview Question: What were some of the real "successes" in your opinion? (Tangible/intangible, bottom line results)

Interviewee 1. Timely responses to requests provided by the HRMD were one of the most noted tangible benefits of the reorganization according to Interviewee 1. The ongoing stream of advice and consultation were also dramatic benefits. The Interviewee also stated that the timely responses that were now possible were a direct result of the new structure and impacted the bottom line. According to the Interviewee, "there are benefits all the way around."

Interviewee 2. Shortly after the reorganization, Interviewee 2 believed the assistance with issues such as conduct and discipline that organizations had previously taken for granted with the old system were, at first, not present. This created additional burden on the Interviewee's organization and had negative impacts on the bottom line that were readily apparent. The Interviewee said that this problem was quickly solved after dialogue was conducted with the HRMD management. The interviewee said their organization explained what was needed and how these services impacted their organization's bottom line and the problem was quickly handled. According to the Interviewee, one of the most tangible benefits is that in such cases, the HRMD was "always willing to sit down and listen."

Interviewee 3. Interviewee 3 said the time-economizing benefits of the "one stop shopping" concept has been the most noted benefit to the Interviewee's organization, though the Interviewee said it was difficult to assign exact dollar amounts to the increased productivity. This was simply because there were no measurement systems of that sort in place. "I am sure there were some time savings; turn around time, cutting out red tape, things that sat in one box before it went to someone else's box. I'm sure it was a benefit." The Interviewee emphasized that the proactive nature of the new relationship was beneficial because it enabled the customer service representatives to anticipate potential problems or concerns. Along the same lines, the Interviewee added that there were benefits of the customer service representatives attending a number of the customer's organizational meetings, such as strategic planning meetings. "The more they know your organization, the better they can help you. That's the best way to see those bottom line results you're talking about."

Interviewee 4. Interviewee 4 agreed that tangible benefits did exist based on the new relationship, but was unable to cite specifics. This is, perhaps, explained in part by the Interviewee's previous statement that the Interviewee could be described as a "satisfied," but not "delighted" customer of the HRM.

Interviewee 5. Interviewee 5 cited the most tangible benefit was probably the better use of the manager's time. The Interviewee additionally believed that the HRM had benefited from the customer service representative structure because those individuals were now afforded the luxury of not only being subject matter experts

regarding the customer's issue, but had now acquired a degree of expertise in the business of the customers they served. The Interviewee believed that, previously, issues or problems were "handed off" to various associates within the HRMD and that was likely a source of frustration because of the lack of ownership of the problem. When HRMD representatives themselves became stakeholders in the customer's business, there was incentive to assist the managers in operating in the most efficient ways possible.

Interviewee 6. Interviewee 6 shared Interviewee 4's opinion that the departmental restructure had left the Interviewee "satisfied," but not "delighted." Upon reflection, the Interviewee recalled that when the staffing cuts were first announced, customers were informed that a "new, automated system" would replace many of the tasks managers depended upon the HRMD personnel to provide. The Interviewee recollected that though some "fragments" of the system had been put in place, the automated systems that had been promised since the mid 1990s "had yet to materialize." The Interviewee stated that this lack of follow through was the reason the respondent had not been "wowed" by the HRMD changes, but went on to specify that the Interviewee did not fault the HRMD, but instead held FAA Headquarters responsible. The Interviewee stated that the HRMD had "excellent people" and that the Interviewee appreciated the ability to "sit down with [HRMD personnel] and speak about my issues and not in a confrontational, combative environment." The Interviewee believed the HRMD is doing "the best they can," considering the shortage of resources faced the HRMD and everyone else at the MMAC.

<u>Division Managers' Comments on Lessons Learned</u>

Some Division Managers stated that the effects of personnel reform that came about two years after the reorganization, greatly complicated the process. Division Managers indicated that had these changes been more readily anticipated, the process could have been a bit more smoothly undertaken, but also stated that such anticipation would have been difficult, if not impossible.

Though some Division Managers suggested that other organizations could be dissatisfied, most believed that most other organizations would at least be satisfied with the process.

When asked for advice for managers in other governmental organizations considering undergoing a similar process, Division Managers said developing a clear vision and communicating that vision throughout the organization were essential to the successful implementation of the stakeholder process. According to the Division Managers, communication should involve stakeholders both internal and external to the organization. Managers implementing such a concept should make every effort to understand not only the needs of the customers they serve, but also understand the very nature of the customers' organizations to best deliver proactive and valuable service. Division Managers also stressed the importance of thoroughly communicating the impact and direction of the changes to the internal stakeholders who were to be affected by the changes.

Interview Question: In your opinion, what could have been done

differently?

Interviewee 1. Interviewee 1 noted that the involvement of unions had resulted in dramatic changes in business practice, but added that the union involvement was somewhat unexpected, nor could it have been expected. Interviewee 1 added that this impact, though manageable, has required "a whole lot of flexibility." Interviewee 1 also added a slight dissatisfaction with the Interviewee's organization now being responsible to fund contractors for such issues as worker's comp and other issues that are necessary but understaffed functions within HRMD. The Interviewee perceives an inequity because though the expenses for these necessities is supposed to be prorated among various divisions accordingly, the Interviewee believes that often the Interviewee's organization pays for more service than they utilize. The Interviewee believed these services are part of what HRM offers and should cover their cost, or at least, assess the cost to the Interviewee's organization according to usage.

Interviewee 2. While conceding that it was a complicated process, Interviewee 2 said the drafting of some of the personnel guidelines seemed to take a long time to complete. The Interviewee went on to state that this was a responsibility of FAA headquarters and that the blame could not be assigned in large part to the local HRMD.

Interviewee 3. Interviewee 3 offered no suggestions for improvement of the reorganization itself. The Interviewee believed that the time frame allotted to the HRMD for the completion of the HRMD was rather short, but recognized that such circumstances

were beyond the control of the local HRMD. The Interviewee commented that it would have been optimal to have implemented the change in operation without having to deal with staff reductions at the same time, but complimented the "survival skills" of the HRMD as well as the customer service reputation the HRMD had before and after the reorganization.

Interviewee 4. Interviewee 4 believed that the HRMD was sometimes more focused on staying within the comfort of the "old system" and "old rules" rather than embracing the newer ones. The Interviewee added that the situation may have changed or have begun to change and the Interviewee was unaware of it. Interviewee 4 also expressed a belief that in the effort to transfer more responsibility to managers in the wake of staff reductions in HRMD, that a few times the HRMD could have been "a little more help."

Interviewee 5. Interviewee 5 said more effective planning for personnel reform would have been "nice," but added that it was unlikely that the reforms could have been foreseen. The Interviewee stated that the HRMD team was "in tune" with the customer, was very focused on the bottom line and the cost of doing business, and that the HRMD had demonstrated flexibility in time of great change.

Interviewee 6. Interviewee 6 did not know what, if anything, could have been done differently in the re-organization.

Interview Question: What do you think other stakeholders would say about the changes now that they've had some time to take effect?

Interviewee 1. Interviewee 1 believed that the managers reporting to the Interviewee would be "fairly pleased," though they might have "a couple of complaints here and there." This might be because those closer to the "firing line" might have different perspectives. The Interviewee believed that most managers would be complimentary, however.

Interviewee 2. Interviewee 2 replied that those managers who interact with HRM "often remark that they get excellent support."

Interviewee 3. Interviewee 3's organization had "a great [customer service] person" and felt the organization received "a lot of attention." However, the Interviewee pointed out that the Interviewee's organization was one of the largest on the MMAC campus and the Interviewee concluded that this could be the reason for the added attention and service. The Interviewee stressed a belief that the HRM had always been very customer focused and a stakeholder orientation was "there all along."

Interviewee 4. Interviewee 4 expected that the consensus among other organizations would probably be similar to the Interviewee's own: "Satisfied," but not "delighted." The Interviewee stated that such an opinion was not necessarily a "condemnation" of HRMD, however. The respondent believed the HRMD is a good

organization but could enhance its customer service initiatives through more effective, more active listening.

Interviewee 5. Interviewee 5 believed "it is working," and added that exact measures of success are difficult because it appears that "everything is always changing." The Interviewee cited the change in personnel reforms, the union involvement, and the organization-wide changes in compensation that have significantly impacted the FAA since the original restructure of HRMD following the NPR report in the mid 1990s. Interviewee 5's summation was that the HRMD was "doing as good a job as possible considering the major changes affecting the industry."

Interviewee 6. Interviewee 6 was unsure of how others within the organization perceive the current situation.

Interview Question: Imagine I was a manager from another governmental organization and I told you our organization was going to develop a more customer/stakeholder focused culture. From your own experiences and observations, what advice would you have for me?

Interviewee 1. Interviewee 1 suggested that what should first take place is a focus on the purpose of the organization. Next, the organization should ask the entities it defines as stakeholders what their expectations are, and once expectations are established, the organization should work to deliver more than the stakeholders expect. The Interviewee added that exceeding expectations includes anticipating needs and that

successful implementation meant meeting needs before the stakeholders had to ask for it. Emphasizing a point the Interviewee made earlier about "all the fancy buzz words," the Interviewee stated that the organization should be less worried about being trendy and be more concerned with what the stakeholders need and how to give them more than they asked for.

Interviewee 2. Interviewee 2 said organizations should first inform stakeholders of what changes are potentially coming and why. Then input should be sought from stakeholders at all levels. Interviewee 2 believed that the more input those affected by the changes are allowed, the greater their likelihood to make positive contributions and have a vested interest in creating a smoother, more workable transition. The Interviewee also suggested interviewing several other organizations, both public and private, to study "best practices" from whose experience the organization adopting the changes could benefit.

Interviewee 3. Similarly, Interviewee 3 suggested the manager responsible for change should "Do your homework first." The interviewee said this included studying other organizations in-depth and talking to those most affected within the organization. Interviewee 3 stressed that as much communication as possible should be conducted in person in lieu of e-mail or other less personal media. Once input was sought and the changes were made based on the input obtained, Interviewee suggested following up with those affected a few months after the implementation. If changes need to be made, they should be made right away as a show of good faith and commitment to the process. The Interviewee said as much personal communication as possible should be undertaken,

especially if a great many people are affected. Interviewee 3 believes trust is an essential element in the process. Should trust appear to be diminished or in jeopardy, the situation should be handled "face-to-face" if possible.

Interviewee 4. Learning what business the customer is in and learning as much as possible about the customer and the stakeholders are essential, according to Interviewee 4. Interviewee 4 stated that the organization should also first conduct a satisfaction assessment among the stakeholders to help guide the restructure. The results of that assessment should be shared with the stakeholders to make sure they are properly interpreted before undertaking the restructure. The Interviewee also suggested that once stakeholder/customer needs are established, the organization should talk less about what cannot be done and instead focus on what can be accomplished in the customer's behalf.

Internally, according to Interviewee 4, the manager responsible for structural changes should conduct an objective strengths/weaknesses analysis of the organizations employees. This helped determine how to best place the individuals within a new framework and enabled the manager to fit the personnel in a way that enables the stronger workers to compliment the weaker. As Interviewee 4 stated, "You only have so many stars, and you can't assign a star to everybody, so you've go to figure out a way to spread [the star performers] around."

Finally, Interviewee 4 strongly advocated implementing an effective performance measurement system so information can be gathered over time to enable continuous improvement practices.

Interviewee 5. Interviewee 5 also recommended that in addition to being subject matter experts, managers should develop as much expertise about the customer's business as well. According to Interviewee 5, regardless of industry, this will help create a value-added relationship. An example cited was in the HRMD case in which the customer service manager's knowledge of the customers' business enabled the service representative to provide relevant options. When problem situations arise, service managers from other disciplines can increase the value of their contributions as well, becoming essential partners in the business of the stakeholder.

Interviewee 5 added that the intimacy created by both the structure of the HRMD and the nature of its business have helped make the HRMD's service representative not only a valuable solution provider, but also a valuable confidant.

Interviewee 6. Service providers should take a serious interest in the business of their customers according to Interviewee 6. The people creating the organizational structure are of far greater value to the organization than the structure itself. Interviewee 6 urged managers making such changes to bear in mind that structure is far more than "a bunch of people in boxes," and praised the HRMD work in this area and suggested that managers interested in making organizational changes could be well served to use the HRMD as a benchmark.

Findings from Tenant Organization Manager Interviews

Tenant Organization Managers' Comments on the

"Stakeholder Concept"

Tenant Organization Managers agreed with the stakeholder concept and believed

that the definition adequately described their relationships with the HRMD.

Interview Question: In your opinion, was the HRMD reorganization

based on the stakeholder approach?

Interviewee 7. Interviewee 7 liked the word "stakeholder" and agreed that it

adequately described the relationship between the HRMD and the Interviewee's

organization. The Interviewee agreed that the Interviewee's organization had a vested

interest in everything the HRMD staff does. The Interviewee also theorized that the

relationship could be more akin to that of a stockholder because they are directly involved

in decision making.

Interviewee 8. Interviewee 8's organization most often referred to its relationship

with HRMD as that of "customer" or "associate," but the Interviewee agreed that the

stakeholder definition actually did a better job of describing the relationship. According

to Interviewee 8, the stakeholder definition is especially relevant under the government's

evolution toward operating "like private sector businesses."

Interviewee 9. Interviewee 9 believed the reorganization was based on the stakeholder concept, but also pointed out that the HRMD had, in the Interviewee's opinion, "always been very focused on what the customer needed."

Tenant Organization Managers' Comments on

What Led to the Change

Tenant Organization Managers agreed that the NPR report was the driving force behind the decisions to reorganize the HRMD, with the ultimate goal of increasing governmental efficiency. One Tenant Organization Manager suggested that the changes might have been more politically motivated than truly driven by a desire to operate the Federal Government in a more efficient manner.

Interview Question: In your opinion, what led to this change?

Interviewee 7. Interviewee 7 was unsure, but indicated a belief that "political whims" may have been a more substantial driver than what Interviewee 7 called "the right reasons." As the Interviewee recalled, the NPR initiated the changes, and though the Interviewee believed the concept behind NPR was valid, the Interviewee believed many assumptions were made at executive levels about how to best restructure many of the organizations. Interviewee 7 believed that a need to reduce the ratio of supervisors to managers was also a reason for the restructure.

Interviewee 8. Interviewee 8 believed that the findings and resultant reduced resources of the NPR were what led the HRMD to restructure. Interviewee 8 also shared

an opinion that it was an inaccurate perception that the HRMD was over-staffed and that duplication of services existed.

Interviewee 9. Interviewee 9 stated that the NPR report mandated the elimination of personnel in the HRMD, which forced HRMD to reconsider how its resources were utilized. The Interviewee recalled that the changes were based less on a need to be more customer oriented than to be able to maintain the level of service HRMD's customers had come to expect with fewer available resources.

Tenant Organization Managers' Comments on the Process:

Implementation/Changes

Two of the Tenant Organization Managers first learned of the changes through formal channels, specifically the NPR report. All of the Tenant Organization Managers received personal visits from the HRMD, though there was some disagreement of how much input was sought from the Tenant Organizations.

When first notified of the proposed changes, skepticism and concern about the impact of the changes were shared reactions among each of the Tenant Organization Managers.

Interview Question: When did you first learn of this change?

Interviewee 7. Interviewee 7 said that there was informal notification from headquarters, but "[those involved with the process] didn't really seek a lot of input," though the interviewee acknowledged HRMD was known for and continues to regularly

survey its customers. Once the restructure was initiated, the HRMD Director made

personal contact with the Interviewee and debriefed the interviewee. However, the

Interviewee emphasized a perception that the meeting was more an information sharing

than a solicitation of feedback concerning the process.

Interviewee 8. Interviewee 8 noted that the HRMD Director made a personal visit

to the Interviewee's organization and "let us know what was in the works and what was

likely to happen." During the meeting, the Interviewee said during this meeting input was

sought and "we had a chance to tell [the HRMD Director] what we wanted at that time."

Interviewee 9. Interviewee 9 was first made aware of pending changes as a result

of the NPR. The NPR report and its interpretation within the tenant organizations led the

Interviewee and the Interviewees tenant organization peers to believe that reductions

would affect virtually every division. The Interviewee assumed that after HRMD had

made its own interpretations of the report or had been formally notified on how the

changes would affect the HRMD, the HRMD Director made a personal visit to each

tenant organization manager to discuss the changes. The Interviewee recalled that a lot of

"delegating" and realignment of resources took place at the time, with the assignment of

customer service and labor relations representatives specific to the Interviewee's

organization being the key result. The Interviewee went on to explain that a fair amount

of decision-making authority was delegated to the organizations that had previously been

the sole responsibility of the personnel manager.

Interview Question: What was your initial reaction to the proposed changes?

Interviewee 7. Interviewee 7 was skeptical about the proposed changes and went on to state a belief that such skepticism is "typical of the average government employee with any tenure."

Interviewee 8. The skepticism Interviewee 8 shared at the time of the restructure has since proven to be reality. Interviewee 8 recalled being very vocal at the time that the organizations did not have enough resources to assume administrative tasks associated with human resource issues that were handed off to them. The interviewee reaffirmed the belief that the changes did put additional burden upon the Interviewee's organization.

Interviewee 9. Interviewee 9 believed that the delegation of decision-making ability was a good thing, though the exact impact of the additional workload was difficult to assess and ultimately became a concern for the Interviewee's organization.

Tenant Organization Managers' Comments on the
Current Situation

The Tenant Organization managers had very favorable comments about the professionalism of the HRM personnel. However, the Tenant Organization Managers were, at best, only marginally satisfied with the current situation and were displeased with the increased workload that the shift in resources had created for their organizations.

Tenant Organization Managers also perceived greater demands on the financial resources of their organizations.

Tenant Organization Managers cited the customer service relationship and the "one stop shopping" concept as the major benefits of the reorganization. However, Tenant Organization Managers demonstrated a reluctance to list tangible, bottom line benefits of the reorganization. One Tenant Organization Manager considered the changes a negative to the manager's organization because of the fiscal demands on the manager's budget.

Interview Question: How would you describe the current situation?

Interviewee 7. Despite several criticisms of the process, Interviewee 7 indicated a perception that the HRMD personnel with whom the Interviewee interacted were seasoned professionals, though the Interviewee attributed this to a belief that the restructure had actually left the most seasoned professionals in the HRMD. The Interviewee was not happy with the fact that the reduction in availability of services to tenant organizations had "forced" the Interviewee's organization to acquire a labor relations specialist.

Interviewee 8. Interviewee 8 described the current relationship as a consultative one, with the HRMD customer service representatives on hand to assist with the administrative human resource issues. The Interviewee believes that with the passage of personnel reform, which allowed the flexibility to depart from the standard government service classifications and pay based on performance, that the HRMD was able to transfer

a great deal of its work to the managers. The Interviewee said that the organization previously depended upon HRM to provide such tasks as classification, promotions, and awards, but the personnel reforms transferred many of those duties to the individual managers within the tenant organizations. While Interviewee 8 admitted that such empowerment is part of what makes being a governmental manager today "exciting," the added tasks have forced the Interviewee's organization to dedicate more resources to performing the tasks, including sending employees to training in some HR issues in order to handle the tasks internally. The Interviewee said it was still too early in the implementation to determine whether the changes were good or bad for the organization.

The Interviewee said the current situation has left the Interviewee somewhat taxed for resources, but doesn't particularly hold HRMD responsible because, as the Interviewee pointed out several times, the Interviewee has always received very good service from "the people across the street [HRMD]." The Interviewee would like to have more of the quality service from the HRMD but it is the understanding of the Interviewee that that is no longer possible under the new system. "I wish they could do more things for us, but in reality, this is where we're at."

Interviewee 9. Interviewee 9 believed that though the workload had increased as a result of many administrative tasks now being delegated to the tenant organizations, the overall structure was effective. The Interviewee had favorable comments about the customer service representative relationship. The Interviewee also had favorable opinions of the automated job announcement system, believing that it had effectively met its objective of making necessary information available to the Interviewee. The

Interviewee clarified that the transition had been relatively smooth, especially considering

the scope of the changes involved. The Interviewee based this opinion on prior

experience in another federal organization that underwent similar changes while the

Interviewee was employed there. One of the attributes of the transition that the

Interviewee found most effective was that it appeared to the Interviewee that the

assignment of customer service representatives was done largely on what the Interviewee

called "personality style." That is, customer service representatives were matched with

certain organizations or managers based on traits that would complement the organization

rather than create conflict.

> *Interview Question: What are some of the real "successes" in your*
>
> *opinion? (Tangible/intangible, bottom line results?)*

Interviewee 7. Interviewee 7 said it would be difficult to cite any particular

success stories or positive impacts to the bottom line of Interviewee 7's organization.

Interviewee 8. Interviewee 8 believed that the centralization of the administrative

functions was a good idea, but disagreed strongly with the number of cuts initiated in the

HRMD as a result of the NPR. The interviewee believed this was detrimental to the

ability of the HRMD to effectively serve its customers. The Interviewee said the changes

are currently having negative bottom line impacts on the Interviewee's organization

because the workload has been so dramatically affected, and also because the

organization is likely to incur the expense of training its employees in HR issues in order

to operate. Additionally, the Interviewee said that the government's new businesslike

operational philosophy is good in principle, but the Interviewee and the Interviewee's peers in management have not been trained in how to conduct business like private sector managers.

Interviewee 9. Interviewee 9 appreciated the relationship of the customer service representatives and how the relationship fit in with the Interviewee's organization. The Interviewee also appreciated the added flexibility and authority to make certain personnel related decisions in spite of the Interviewee's admission that the workload in the Interviewee's realm had been increased.

Tenant Organization Managers' Comments on Lessons Learned

Tenant Organization Managers demonstrated a perception that the structural changes were not as well planned as could have been the case. When asked what could have been done differently, Tenant Organization Managers suggested that the far-reaching impacts of the changes could have been given greater consideration.

Tenant Organization Managers suggested that although the process was still evolving, most tenant organizations probably believe the changes had complicated the ways in which they operated.

Advice for managers in governmental organizations considering adopting a similar process should involve external stakeholders from the beginning and should discuss what the changes could ultimately mean to the affected stakeholders. One Tenant Organization Manager stressed the importance of securing the buy-in of the employees who would help the customers initiate the process.

Interview Question: In your opinion, what could have been done

differently?

Interviewee 7. If the automated tools that were originally promised had been delivered, many of the complaints heard throughout the respondent's organization could have been avoided according to Interviewee 7. The Interviewee had several other organization-specific examples of how the interviewee felt the process "got off track." The one thing that could have been done differently was to have "thought through" the process to work through possible roadblocks prior to initiating the process.

Interviewee 8. Interviewee 8 believed that some of the cuts were made "arbitrarily," and that doing so was "disastrous" because it made the Interviewee's organization responsible for tasks they weren't equipped to manage. Interviewee 8 believed it will take a long time to recover from such cuts, but may ultimately make "better managers" of the Interviewee and the Interviewee's peers.

Interviewee 9. Although the interviewee believed that it was mostly if not completely "invisible" to the customers, the Interviewee believed that a great deal of "fear" existed within the HRMD during the time of the changes. The changes were "monumental" and "totally life-changing for those people over there [HRMD]" Facing potential layoffs while learning new career skills was perhaps a bit of an unreasonable burden to ask the affected HRMD managers to bear. When asked how the situation could have been handled differently, the Interviewee suggested separating the downsizing and the restructure of responsibility, or lengthening the process to make it appear less

"sudden" or "drastic." However, upon further reflection, the Interviewee commented it might not have been practical from a business standpoint because many of the "best people" in the HRMD accepted buy-out packages. The Interviewee went on to state that the main focus is should be to make sure the people within the affected organization receive as much counsel as possible throughout the changes.

Interview Question: What do you think other stakeholders would have to say about the changes now that they've had some time to take effect?

Interviewee 7. Reiterating an earlier comment, Interviewee 7 believed the process could still be considered in the "implementation" stages even five years after its initiation, and further commented that the Interviewee's organization was still not happy. The Interviewee had heard other tenant organizations make similar statements and believed they had similar concerns.

Interviewee 8. Interviewee 8 believed that if managers from other tenant organizations were asked, they would say that the reductions that were supposed to make HRMD more effective had actually made the tenant organizations more difficult to manage. This was because managers had been forced to take responsibility for more tasks and even to fund their completion in some cases. "It has made it much more difficult, as much as I appreciate and admire the folks across the street [HRMD]."

Interviewee 9. Interviewee 9 recalled that there was "a lot of skepticism" among the Interviewee's tenant organization peers before, during the process, and "probably still

today." The interviewee shared that because the tenant organizations are not under

MMAC authority, the perception that the "local organizations" that report to the MMAC

director get "priority." The Interviewee pondered whether this was more perception than

reality and was ultimately inconclusive, but stressed the importance of acknowledging the

perception.

> *Interview Question: Imagine I was a manager from another governmental*
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> *organization and I told you our organization was going to develop a more*
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> *customer/stakeholder focused culture. From your own experiences and*
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> *observations, what advice would you have for me?*

Interviewee 7. Interviewee 7 would advise others to first determine exactly what

the needs of the organization are before constructing the reorganization. Interviewee also

suggested that if unions are present in the organization considering the restructure, that

they be involved from "day one" and that their buy-in is sought. The Interviewee

suggested involving all affected stakeholders in the engineering of the process and said

that a sincere effort should be made to deliver what stakeholders were promised.

Interviewee 8. Interviewee 8 said stakeholders should have a voice in the process,

and mused over why that did not appear to be so in the case of the FAA's reorganization.

Interviewee 8 advised that if organizations diminish the work force, they should be

prepared to "pay the cost for it." The Interviewee further suggested that managers

affected by the change should be active, if not "aggressive" participants in and

contributors to the change process.

Interviewee 9. Interviewee 9 stated that the most important component of the stakeholder/customer focus was the "proactive, knowledgeable, positive people" in the HRMD who helped make the process successful. Interviewee stressed the importance of recognizing the importance of the human side of the equation. Interviewee 9 advocated investing in training for both "hard" and "soft" training. Interviewee 9 explained that "Hard" training is what employees need to perform the jobs outlined in the job description. "Soft" training the Interviewee related to the human relations skills needed to create attitudes of belief among the employees that they will be supported and that the changes will be managed together. Doing so, believed Interviewee 9, will translate into effective customer service and will help make cultural changes easier within organizations.

<p align="center">Findings from HRMD Manager Interviews</p>

HRMD Managers' Comments on "Stakeholder Concept"

Managers from the HRMD agreed that the process had the stakeholder in mind, but were quick to point out that the HRMD had always operated with a customer or stakeholder philosophy, and that the changes were more structural than philosophical or cultural.

Interview Question: In your opinion, was the HRM reorganization based on a stakeholder approach?

Interviewee 10. Interviewee 10 stated emphatically that the HRM organization was not reorganized to attain a customer focus, but instead to enhance the customer orientation that had previously existed. The Interviewee said the restructure itself was done primarily to provide "one-stop shopping" for its customers to improve customer service and not to "adopt" a customer orientation. The Interviewee conceded that perhaps the question was taken a bit personally, but emphasized a belief that the HRMD had always been customer-oriented and had always been "very much aware" that the organization had a variety of stakeholders.

Interviewee 11. According to Interviewee 11, the NPR report was the primary driver behind the change in structure. Interviewee 11 believed the HRMD organization had a strong history of customer-focused operational style and strategy.

Interviewee 12. Interviewee 12 stated that the stakeholder philosophy and customer orientation had long been a part of the culture of the HRMD, but the term "stakeholder" was in use more prevalently by the end of the 1980s when divisions began to assume responsibility for their own strategic plans.

HRMD Managers' Comments on What Led to the Change

HRMD Managers confirmed that the NPR was the primary reason for the change. As a result of the study, organization-wide changes were called for within the Federal Government. The HRMD was cut by nearly 50% as a result, and the HRMD had to find

ways to accommodate the staff reductions while maintaining the service expectations the Division had fostered among its customers.

Interview Question: In your opinion, what led to this change?

Interviewee 10. Interviewee 10 said that part of the impetus for the change came as a result of the NPR report, followed by significant staffing cuts to the HRMD. The organization experienced roughly a 48% reduction in staff according to Interviewee 10, all of which was accomplished through attrition. After the cuts took effect, the organization examined itself to determine what processes were most critical and which did not add value. Those that could be streamlined or eliminated then became the focus of the re-engineering task force that was appointed within the Division. Investigation revealed that customer service could be streamlined and resources most efficiently apportioned by adopting a "one-stop shopping" concept. This meant assigning service representatives to the divisions and tenant organizations located on the MMAC campus whose job it became to assist managers in addressing human resource and personnel needs. In essence, rather than have "specialists" who dealt with individual organizations on specific topics, the service representatives became "generalists" who were empowered to solve most problems and to coordinate the handling of more complex problems with the specialists in the HRMD. Specialists were subject matter experts on issues such as training, staffing, labor relations, and discipline.

Interviewee 11. Interviewee 11 recalled that the NPR mandated that certain administrative fields be reduced by 50% with a five-year time frame. However, the HRMD was much more proactive in its implementation, according to Interviewee 11.

Interviewee 12. According to Interviewee the HRMD organization had taken the initiative to develop "contracts" with its customers to determine customer expectations and deliver service accordingly. As such, the change was more structural than philosophical. The structural changes were in response to the staff reductions mandated by the NPR in the mid-1990s.

HRMD Managers' Comments on the Process:

Implementation/Challenges

The NPR report was the means used to officially notify the HRMD of the exact changes that would result from the study. Internal meetings were used to disseminate the information among the HRMD managers and staff. HRMD Managers agreed that fear, skepticism, frustration, and apprehension were among the emotions exhibited at all levels of the HRMD in reaction to the proposed changes. Some expressed role confusion and perceptions of diminished status. Others expressed concerns about the pace of the downsizing coupled with the increased responsibility.

The HRMD internally discussed how attrition and the experience levels of the remaining employees could best be utilized to accomplish the human resource service tasks of the organization. The concept of the customer service representative and "one-

stop shopping" were discussed as the most effective means to further the organization's mission.

Once a framework had been established, the HRMD made personal visits to each of the customers to debrief them on the forthcoming staff reductions and what implications the changes could have for the customers. Customer input was eagerly sought and the feedback was used to refine the concepts that were under discussion within the HRMD. The process was refined accordingly based on customer needs and available resources and the final plans were then shared with the customers of the HRMD.

Interview Question: When did you first learn of the changes?

Interviewee 10. Interviewee 10 was notified of the changes as a result of the National Performance Review's report. Once headquarters had examined the directives, memoranda were circulated concerning the directives for each division, including HRMD.

Interviewee 11. Interviewee 11 first learned of the necessary changes from the NPR report.

Interviewee 12. Interviewee 12 stated that any time there are potential changes in government, there are informal communication channels that tend to circulate. Though the exact scope and nature of the changes that would be required as a result of NPR were unknown, the Interviewee expected that they would be far reaching. Once the NPR report

was made available and interpreted by headquarters, formal notification via memoranda was made.

Interview Question: What was your initial reaction to the proposed changes?

<u>Interviewee 10</u>. Interviewee 10 related that a good deal of skepticism existed within the HRMD, as well as a good deal of fear. The Interviewee stated that there was not immediate buy-in largely because the stakeholder/customer philosophies in place before the restructure had, according to customer satisfaction research conducted by the HRMD, served the customers well in the past. Interviewee 10 said the general feeling was that an attempt was being made to fix something that was not broken.

Internally, conflict emerged between the newly-appointed customer service representatives and some other positions because the move reclassified the service representatives into higher grades within the Government Service pay scale. The career paths of the specialists were essentially capped with no further opportunities for career progression as had existed within the old system. Customer contact was also severely limited, if not eliminated completely, causing some of the specialists to see themselves as simply administrators or mere handlers of paper. Interviewee 10 said this created an attitude that "the customer service reps get all the glory and now we're just back room people" between the two positions. The Interviewee said that over time, some of the specialists determined that they were happy doing the more limited tasks and not assisting with the more complex tasks that had become the domain of the customer service

representatives, such as strategic planning. However, according to Interviewee 10, the situation is far from resolved, "we're still not there yet."

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Interviewee 11. Interviewee 11 remembered being a bit apprehensive when first examining what was proposed considering the resources that were left available to HRMD. Interviewee 11 also believed, and stated that this belief was widely held both within HRMD and among its stakeholders, that the downsizing was taking place too rapidly.

Interviewee 12. According to Interviewee 12, the proposed staff cuts were frustrating because the demand for the services was not diminishing. The cuts proposed to slash the personnel to less than 50% of its current level. Additionally, the Office of Management and Budget (OMB) was "determined" to reduce the size of the organization by even more. Several counter proposals were made arguing the need for more staff to accommodate customer demand. Though the Director's office was able to fend off the OMB's additional cuts, it was not able to overcome the 50% reduction mandate proposed from the NPR.

HRM Division Managers' Comments on Current Situation

HRMD Managers described the current situation as effective, and cited the customer service surveys conducted earlier in the year 2000. HRMD Managers also agreed that though the positive feedback is appreciated, the HRMD is still very concerned with refining the process in an effort to increase customer satisfaction. Specifically,

enhancing the operations so that the customer service representatives are more proactive than reactive was a concern expressed by one HRMD Manager.

The HRMD Managers cited the positive customer feedback as the most tangible evidence available of the success of the process, but suggested that "hard measures" of the true bottom-line impacts of the study do not currently exist. Managers believed that the "one-stop shopping" concept likely had very tangible bottom-line benefits to the customers, but had no formal study to support their conclusions.

When asked what could have been done differently, HRMD Managers said the HRMD could have done a better job communicating the process, its intent, and how the internal and external stakeholders were to be effective. Managers cited a good deal of conflict and anxiety within the HRMD that might have been minimized through greater communication with HRMD employees affected by the changes.

HRMD Managers said they believed, based on the customer surveys and informal feedback, customers were satisfied with the process for the most part, though the possibility that some dissatisfaction existed was recognized. One HRMD Manager suggested that the "patience" the customers of the HRMD throughout the process was exceptional, and that perhaps the same patience was manifesting itself in performance scores that were slightly better than the HRMD deserved.

When asked what advice HRMD Managers would offer managers in governmental organizations considering similar changes, they suggested involving the employees prior to attempting to implement the changes, establishing a solid vision and communicating it to all stakeholders.

Interview Question: How would you describe the current situation?

Interviewee 10. Interviewee 10 said the customers had very favorable reports on the customer satisfaction surveys conducted in the spring. Interviewee 10 said the same survey was given to the HRMD employees, its internal customers, and the results were not as positive as those of the external customers. However, they were not as negative as had been predicted. The Interviewee viewed this as progress, but expressed concern that the still have progress to be made internally. A lack of communication between the consultants and the specialists was cited as the primary source of dissatisfaction.

Additionally, the Interviewee was pleased that the organization has been performing well as attested in the customer satisfaction survey, especially since the organization has been operating with less than half the staff it had prior to the reorganization.

According to Interviewee 10, the personnel reform issues that were passed in 1998, after the restructure, have been very taxing with the limited resources. This has created challenges because headquarters has "refused" to allow the HRMD to hire additional personnel. HRMD personnel expressed additional fears surfaced among the current personnel because, as the Interviewee put it, "They were afraid the knowledge of regulations they had used their entire careers were now useless." This was presumed to be a devastating blow to the confidence of the organization. Although the fears were being dealt with, the organization has been challenged to adjust to this change.

Interesting to note was that while many of the customers of the organization had complimented the proactive nature of the HRMD, Interviewee 10 believed the

organization is still a bit reactive. Further probing by the interviewer revealed that while

the customer service representatives were promptly solving customer issues such as

discipline, this was not the intended role of the customer service structure when initiated.

Only a small percentage of time was supposed to be spent serving as a "conduit" between

the customer and the specialist on solving such issues, with the customer ultimately

assuming responsibility for the tasks. According to the Interviewee, nearly 80% of the

customer service representative's time is spent on such issues. The original intention was

the majority of the representative's time would be spent on more proactive tasks such as

assisting with strategic issues.

Interviewee 11. Interviewee 11 recalled that the Center Management Team

formed a task force to examine what processes could "reasonably be delegated to

management." Interviewee 11 said this also involved soliciting input from the customers

via personal visits from the HRMD Director. The Interviewee pointed out that the

philosophy of the HRMD has always been that of "teammate" to its customers. Hence,

according to Interviewee 11, the need for personal visitation by the HRMD Director.

During the visits the Director explained what was underway and asked managers how

they could best be served with the coming changes, what services were of greatest

importance, etc. According to Interviewee 11, customers were informed that some of the

administrative functions would likely become the responsibility of the customer, thus

preparing the customers for the changes.

Once feedback was obtained from both the customers, the Center Management

Team and the managers from the internal HRMD task force, plans were drafted for the

restructure, which was to assign customer service representatives to each division. Customers were again visited to explain how the structure would evolve and the nature of the new key contact with HRMD.

After reviewing the findings, the HRMD Director expressed concerns that the level of service the customers had come to expect could not be accommodated with the proposed staff reductions. The HRMD Director often accompanied by the MMAC Center Deputy Director, made several pleas, if not demands, for more personnel. According to Interviewee 11, it was ultimately to no avail. In fact, the Interviewee suggested that such persistence may have actually jeopardized the HRMD Director's relationship with headquarters to some degree. However, the Interviewee praised the dedication and persistence of the HRMD Director.

Interviewee 12. According to Interviewee 12, once the HRMD Director lost the "final appeal" for increased personnel, the management team within HRMD was called together. In the meeting, a list of the functions of the organization and the services it provided its customers was made. Once the list was compiled, the team reviewed it to see what services HRMD had to perform by law and which ones could be relegated to the customers if need be. The information was then presented to the Center Management Team who would have a voice in the process, particularly in helping determine which service functions had to be provided by HRMD. Interviewee 12 related that unions had become very influential stakeholders in the process, and their input was sought with favorable results.

A contingency blueprint was developed within approximately 30 days that would involve the installation of service representatives as key customer contacts and specialists who would work with the service reps as needed. Once established, the HRMD Director personally visited with the customers to discuss the proposed blueprint and solicit feedback from the customers. The feedback was then discussed within the HRMD, modifications were made if necessary, and the final draft of the restructure was developed. The HRMD manager again personally visited with the customers to describe how the new systems would work, emphasizing where appropriate that the redesign was based as much as possible on customer feedback.

Interview Question: What are some of the real "successes" in your

opinion? (Tangible/Intangible, bottom line results)

Interviewee 10. The only measure of effectiveness at Interviewee 10's disposal was the formal and informal customer feedback the Interviewee had received. According to the customer satisfaction studies conducted and what the Interviewee "hears on the street," the customers liked the restructure and were pleased with the concept of and their relationships with their customer service representatives.

The Interviewee said that formal efficiency measurements were not in place that would enable productivity measurement and the ability to assign a "dollar value" to process improvement. The Interviewee indicated a strong desire to someday have such measurements in place. In the interests of operating in a more businesslike fashion as the reforms intended, such measurements are needed.

Interviewee 11. Interviewee 11 believed that centralization had been a positive move with far reaching benefits to the bottom line. However the Interviewee hesitated to speculate on exact percentages or dollar amounts, stating that specific studies in that area had not been conducted to the best of the Interviewee's knowledge. The Interviewee hypothesized that the HRMD organization could be considered at least 50% more effective, citing the fact that the organization had been downsized by an estimated 40 to 60%.

Interviewee 12. Interviewee 12 attributed more successes to the customer organizations than to HRMD, citing the fact that customers now "just have to make one phone call" in the event of a problem and the service representative coordinates the rest. The Interviewee respectfully praised the ability of the HRMD to operate with such great reductions and so many changes having transpired in just the past few years. The Interviewee indicated that headquarters' bottom line had no doubt benefitted from the more streamlined operation.

HRMD Managers' Comments on Lessons Learned

Interview Question: In your opinion, what could have been done differently?

Interviewee 10. Interviewee 10 said the organization could have done a better job explaining the process, its intent, and how the employees of the HRMD were to be affected. The Interviewee suggested that not doing so may have contributed to the lengthy

acceptance period that the organization is still experiencing. The Interviewee also strongly recommended soliciting feedback from the employees most affected by the proposed changes and using their input to help design the process. The Interviewee noted that feedback was obtained from the HRMD employees, but no action was taken on the findings. The Interviewee recalled that employees were aware of this and felt that the organization did as it pleased rather than listening to what the employees had to say. Interviewee 10 suggested that employees should be given a voice in the process and their voices should be heard.

Once the changes are implemented, according to Interviewee 10, a great deal of "nurturing" should take place to ensure employees are comfortable with the process. The Interviewee stated that the importance of properly handling the situation and addressing employee needs should not be overlooked.

Interviewee 11. Interviewee 11 said that in the Interviewee's opinion, the process "happened way too fast," which increased the anxiety level with both the customers and the employees of the HRMD. However, the Interviewee said that was the exact concern the Interviewee heard expressed many times during the process and that it was beyond the control of the HRMD organization.

Interviewee 12. Interviewee 12 noted that there was a great deal of internal conflict among employees in the HRMD, but added the conflict was hopefully "transparent" to the customers. The Interviewee suggested that upper management was so concerned with developing the structure on behalf of the customers that it was possible

that the HRMD employees or "internal customers" may have received less attention than they should have considering the impact of the reorganization. Interviewee 12 suggested that a more concentrated effort to monitor employee opinion and help employees through the transition could have been useful.

The Interviewee also emphasized that the restructure was massive. Coupling this with the fact that the HRMD employees were forced to learn new jobs, and that the changes were made concurrently, not incrementally, made the process additionally stressful.

The Interviewee added that although the customers appear to have favorably received the transition, the Interviewee still believes the HRMD was forced to operate with too few employees.

Interview Question: What do you think some of the stakeholders would say about the changes now that they've had some time to take effect?

Interviewee 10. Citing the customer survey conducted in the spring of 2000, Interviewee 10 believed the customers the organization serves were happy with the reorganization. The Interviewee was not satisfied that the process had fully created the proactive relationship originally sought with the design and hoped that that would receive more emphasis. The Interviewee stressed a dedication to continuous improvement and essentially did not expect to ever be "100% satisfied," but viewed that as a positive management trait.

Though the customers did not appear to be widely aware of the issue, the lack of buy in and communication conflicts that had existed and could continue to exist within the HRMD concern Interviewee 10. That issue to was expected to receive attention as the process evolves.

Interviewee 11. Interviewee 11 believed that the majority of customers of the HRMD were satisfied, and cited the survey as evidence. However, the Interviewee also speculated that some tension was "bound to exist" within some organizations because they had been forced to assume additional duties with fewer resources themselves. The Interviewee also believed that the customers were very happy overall with the customer service representative concept.

Interviewee 12. Interviewee 12 said that the high customer satisfaction ratings were not a particular surprise because the Interviewee recalled that the customers were "very patient" with HRMD during the restructure. The researcher went on to state that this was what should typify the stakeholder concept because it has demonstrated effective listening between the service provider and the customer.

Interview Question: Imagine I was a manager from another governmental

organization and I told you our organization was going to develop a more

customer-focused culture. From your own experiences and observations,

what advice would you have for me?

Interviewee 10. Interviewee 10 would advise the organization to obtain 100%

employee involvement before attempting to implement change. The Interviewee

emphasized making certain the organization truly has involvement rather than simply

hoping that is the case. Specifically, the Interviewee said that employee involvement

should not only be sought, but it should also be respectfully examined and acted upon

wherever possible.

Interviewee 11. Interviewee 11 said management should first establish a common

vision and mission. Additionally, Interviewee 11 believed that management should have

a solid focus on the overall intent of the reorganization. The Interviewee also believed

that management should lead by example, showing the "connections" of the vision and

focus to the end product, establishing the importance of the project at each step of its

implementation. Interviewee 11 said management should be very visible and available for

its employees during the restructure.

Interviewee 12. Interviewee 12 stated that the lack of any set pattern prior to the

restructure put a great deal of burden on the HRMD, and the Interviewee noted that this

was an added challenge the organizations should avoid if possible. The Interviewee

recommended studying other organizations to obtain at least a pattern for redesign to

avoid having to start "from scratch."

Interviewee 12 also recommended a great deal of focus on the internal customers,

the employees of the organization affected by the change. Similarly, the Interviewee

should get to know the employees of the organization as well as possible so that as the

restructure takes place, the employees can be assigned to the positions that best fit their strengths and the needs of the customers. "Communicate, communicate, communicate," admonished Interviewee 12. Involving the customer in the process and a thorough job of communicating the purpose and vision of the organization as well as how the proposed changes would impact the vision were also encouraged.

Summary

Managers from the various MMAC Divisions, Tenant Organizations, and The HRMD agreed that the changes in structural organization were initiated from necessity. The National Performance Review (NPR) was the primary driver of the change, but once its mandates were received, the HRMD took the initiative in reorganizing itself on behalf of its customers.

Managers from the HRMD strongly argued that although there was a change in organizational structure, the customer or stakeholder philosophy had been prevalent in the HRMD for quite some time. Comments from the Division Managers and Tenant Organization managers appeared to support the argument in their praise of the quality of personnel the HRMD has supplied them.

Most Division Managers were satisfied with the new structure, which is based on what the HRMD envisioned as a "one stop shopping" concept. This concept saved the managers time by requiring only one contact with the customer service representative who took the initiative and found solutions to whatever problems managers presented them. While the goal of the customer service representative was to be a proactive team

member rather than just an as-needed problem solver, there were mixed opinions concerning how truly proactive the service representatives are on behalf of the customers.

Most Tenant Organization Managers s perceived an increased workload and financial burden as a result of the structural changes in their relationships with the HRMD. Many of the Tenant Organization Managers said many of the services they had previously relied on the HRMD to provide had been taken away or were now items for which they were expected to budget, which had left many Tenant Organizations frustrated. Interviewees from the Tenant organizations could, at best, be described as "satisfied" customers and were far from "delighted" with the services they received from HRMD.

Interviewees unanimously suggested that organizations considering similar reorganizations should place heavy emphasis on communication. Those stakeholders affected by the changes should have the rationale and the affect of the changes clearly communicated to them. Additionally, interviewees suggested that the employees who are affected should have the affects explained to them as well to ensure both their buy-in and a smooth transition on behalf of the customers.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the purpose of the research, the research questions, a summary of the findings related to those research questions, and the conclusions and recommendations that emerged from the findings.

Purpose of the Study

The purpose of this study was to investigate the evolution of the marketing concept and the change in managerial philosophy required to implement and develop the concept of internal and external "stakeholders" served by the organization. The findings document the thoughts and reflections of those managers involved in the development of the more customer/stakeholder-oriented philosophy. The study should not only benefit the organization by providing a historical perspective from which future decisions may be enhanced, but should also serve as a resource to other organizations, both public and private, who are in the process of adopting similar management philosophies.

Research Questions

The research addressed the following questions:

1.   What led the FAA to adopt the stakeholder focus?

2.   What challenges were faced in the adoption of the process?

3.   What are managers' perceptions of the current situation?

4.   What reflections/suggestions do managers involved in the process have in

retrospect?

Summary of Findings

A cross section of managers from the MMAC was chosen for the study. The

purposive sample drawn consisted of six managers from various MMAC divisions, three

tenant organization managers, and three managers from the HRMD. The findings are

presented in Chapter 4 as they related to each of the four broad research questions

addressed in the study. Similarly, conclusions and recommendations are presented in this

chapter as they relate to each of the research questions addressed in the study.

Conclusions

Conclusions Regarding What Led the FAA to Adopt the

Stakeholder Focus

Interviewees from each of the organizations agreed that the changes that occurred

at the MMAC resulted from necessity. The review of literature demonstrated that the

public sector had been pressured to take a more thorough look at how it conducted

business shortly following the restructuring trends that occurred in the private sector

during the early 1990s. The National Performance Review, which conducted a study on

how governmental agencies could operate more efficiently, then passed along mandates

for change in a published report from which agencies like the FAA took its directives.

The Human Resources Management Division (HRMD) learned that it would face

staff reductions through the report, but constructed its future based on its remaining

resources and the needs of its customers. Most interviewees agreed that the changes were

more structural than philosophical within the HRMD. They believed the organization

had considered itself customer-service driven long before the proposed restructures and

interviewees from various divisions and tenant organizations had very favorable

impressions of the service provided by the HRMD.

Conclusions Regarding What Challenges Were Faced in the

Adoption of the Process

There was some disparity noted in the challenges identified by MMAC Division

Managers and those of Tenant Organization Managers concerning the adoption of the

process. The HRMD concerns were even more unique in that they had to balance the

needs of the internal stakeholders with those of their external stakeholders (customers).

Division Manager interviewees noted adopting the stakeholder concept as the

major challenge incurred in adjusting to the new procedures. There was also concern that

the proposed staff reductions would be detrimental to service levels. Once again their

concern was directed toward the structural changes rather than the ability of the HRMD to deliver. Overall, Division Managers cited no major challenges in the process, and believed those minor challenges that did arise were quickly handled.

Interviewees from Tenant Organizations were more skeptical that the changes would result in reductions in the quality of service delivery they had come to expect from the HRMD. A greater concern voiced by the Tenant Organization interviewees was the likelihood of greater "out of pocket" costs for their individual organizations. Tenant Organization managers reported the perception that they were sometimes considered "step-children" because they are accountable directly to FAA headquarters in Washington and not to the Mike Monroney Aeronautical Center, Whether this was perception or reality was a matter of some debate among interviewees.

HRMD manager interviewees said the greatest challenges faced within the HRMD stemmed from human relations issues. The fact that the HRMD was losing approximately 50% of its staff, coupled with the fact that it already had a substantial enough workload, created a great deal of anxiety within the organization. Interviewees from the HRMD explained that it was difficult managing the concerns of its customers (external stakeholders) and the needs of its employees (internal stakeholders). Employees were concerned with what the changes would mean to them individually and with their ability to cope. HRMD interviewees were pleased that this internal turmoil seemed to be invisible to its customers, but stated that a more careful management of the needs of its employees or internal stakeholders was one challenge that could have been handled more effectively.

An additional challenge that complicated the process for both the HRMD and its customers was the labor relations legislation that was implemented about two years after the restructure. Essentially abolishing the government service (GS) pay system in some areas, the legislation granted managers the ability to pay for performance and other freedoms. This forced all concerned to virtually learn a "new way of doing business," the effects of which were still being determined at the time of this study.

Conclusions Regarding Managers' Perceptions of the

Current Situation

As with Research Question 1, Question 2 revealed a disparity in perception between MMAC Division Managers and Tenant Organization Managers and Those of HRMD Managers.

The majority of the interviewees who were MMAC Division Managers were pleased with the increased efficiency the new "one-stop shopping" concept had provided. Under the new structure with each division assigned at least one customer service representative, the managers could "make one phone call" to the customer service representative with a problem or concern. The customer service representative then made the necessary contacts within HRMD and worked to find a solution to the problem or issue. In some cases, the customer service representative had become a valuable extension of the managers' staffs, which enabled them to proactively address issues rather than reactively solve problems as had previously been the case. This was the optimal state the HRMD had in mind when initiating the structural changes. However, Division

Managers admitted that the relationships were still in a state of evolution. Though the majority praised the efforts of the HRMD staff with whom they interacted, two of the six Division Managers also described themselves as "satisfied," but not "delighted" customers.

The Tenant Organization interviewees had less favorable perceptions of the current process. Though the criticisms were again leveled more at the structure than the HRMD personnel, they could be considered "satisfied" at best, and that description could be a bit optimistic. The Tenant Organization managers perceived that the current situation was what they had feared would happen when the changes were first proposed. They expressed dissatisfaction with having to budget for personnel to address human resource issues that were previously supplied by the HRMD. Though research confirmed that this is likely not the case, the Tenant Organization managers believed that they are being unfairly assessed with human resources related administrative expenses that are provided at no charge to the other organizations located at the MMAC.

The HRMD Managers who were interviewed might also be described as "satisfied," but not "delighted" with the process as well. This description is less a criticism than a compliment to the continuous improvement culture that appeared to exist within the HRMD. The 2000 customer satisfaction scores, were very favorable. In accordance with the marketing concept described in the review of literature, customer satisfaction is the ultimate measure of success, but is also a moving target. The review of literature also strongly suggested that in private sector management in the 21st century, this philosophy was not only wise but had necessarily become standard practice. Though

the HRMD appeared to deserve the customer praise it received, it is wise to take the attitude that no "finish line" exists on the road to customer satisfaction.

Conclusions Regarding What Reflections/Suggestions Managers

Involved in the Process Have in Retrospect

The primary "lessons learned" from their experiences with the process revolved around two key subject areas: Vision and communication. This theme was consistent among all three groups.

When asked what advice these interviewees had for managers in governmental organizations who were responsible for implementing similar changes, a sense of purpose was often cited as a necessary element of the plan. Interviewees suggested that first and foremost, the organization should take an objective look at what its purpose is, and that the organization's customers should have substantial input in the process. Interviewees suggested that this should drive the change process and the day-to-day operations of the organization. Interviewees also suggested that a great deal of flexibility, that is, the willingness to adapt or even reinvent the organization on behalf of its purpose, should be included.

Communication was also frequently listed as a necessity, and was frequently related to the organization's vision and/or purpose. Communication regarding the vision and purpose of the organization should take place with the organization's customers before, during, and well after the changes had been implemented. Additionally, communication with the internal customers/stakeholders, the employees of the

organization, was cited as essential. A tribute to the HRMD was that "buy-in" among the

HRMD staff appeared evident to the customers, even though the HRMD managers said

that was a challenge to the process. HRMD managers all stated that communication with

employees at every level was essential, and that perhaps in an effort to be so focused on

the needs of its customers, the needs of the HRMD staff might have been overlooked in

some cases. HRMD managers said in retrospect that communication if not "nurturing" of

the employees of the organization throughout the changes should be a priority of

management when faced with implementing structural changes. Specifically, employees

need to know what is happening, how they will be affected, and what their role will be in

the new structure. HRMD interviewees stressed that this communication should be

prompt and straightforward.

Recommendations

Recommendations are presented as they relate to each of the four broad research

questions. Additional recommendations that resulted from the study are also included in

this section.

Recommendations Regarding What Led the FAA to Adopt

The Stakeholder Focus

Clearly, necessity was the primary driver behind the restructures of governmental

organizations throughout the 1990s. Though this may at first appear to be a criticism, it

is important to remember that the review of literature revealed that the private sector

adoption of the customer/stakeholder focus that resulted from the acceptance of the marketing concept also took place out of necessity.

Also worth noting is that as the adoption of the customer/stakeholder focus became the "in-thing," organizations looked for models of excellence that could be emulated as they developed their own strategic initiatives. Similarly, it appeared that the HRMD, by operating as a customer-focused entity well before the concept gained widespread acclaim, was more readily able to acclimate to changes once they became mandatory. As such, a recommendation is that organizations, whether public or private, have customers of some kind that are vital to their existence. Recognizing this early may help avoid mandated changes or problem solving, and may help ensure the survival if not the success of the organization. The HRMD's proactive adoption of the customer-focus clearly helped make the transitions more manageable, so organizations could benefit by taking charge of their destinies as the HRMD did early on.

Recommendations Regarding What Challenges Were Faced in

The Adoption of the Process

The wide disparity noted between the three managerial groups involved in the study suggested that it be seem appropriate to note that a "one-size fits all" approach to organizational change is not optimal. The process must be tailor-made to the unique organization in order to be most effective.

Considering the challenges faced in the process, organizations should consider having contingency plans. At the very least, the visionary thinking recommended by the

interviewees should be part of the any organization's culture, and should include "what-if" thinking if not formal planning. Organizations should consider the implications of various sets of circumstances based on ongoing internal and external environmental analysis and be as prepared as possible in the event that circumstances become reality.

Additionally, those organizations who had endured such changes and had become effective could publish their own "lessons learned" from which organizations, both public and private, could benefit.

Recommendations Regarding Managers' Perceptions of the
Current Situation

The HRMD managers' insistence that the process is still underway and that they are by no means delighted with the process is prudent managerial thinking. This is especially true considering that some of the Division Managers who were interviewed described themselves as "satisfied" but not yet "delighted" customers. An ongoing review and adjustment process appears a sound recommendation.

Research suggests that a bigger satisfaction gap exists between the tenant organizations and the HRMD. Whether this is perception or reality is of little consequence when considering that the tenant organizations are customers and, as the expression goes, "the customer is always right." At the very least, a dialogue should be opened with the tenant organizations to first explore whatever perceived inequities exist and then act accordingly.

Additionally recommended is that the organization conduct a study or develop a process to truly measure the productivity of the structural changes. Interviewees in most cases agreed that the "one-stop shopping" concept had produced productivity gains, at least for the customers, but none could site specific measurements. Though implementing such a study will be challenging if not problematic, it should be undertaken. Publishing and sharing the findings of such a study could have far-reaching benefits as a result of other organizations improving their own efficiencies.

Recommendations Regarding What Reflections/Suggestions

Managers Involved in the Process Have in Retrospect

Interviewees from each of the management groups strongly recommended giving the customer a voice throughout the process and after its implementation. This should involve both formal and informal solicitation of customer feedback.

Interviewees involved with the process also suggested that, if possible, organizations should separate the staffing cuts and structural modifications. Though interviewees admitted that this might not be possible or even practical, considering it as an option was recommended.

One of the key recommendations was to take action to maintain a balanced perspective between internal and external stakeholder needs. Specifically recommended is that managers involved in similar processes should pay close attention to the cycles of emotion typical of such changes. Employees (Internal stakeholders), if truly considered

valuable to the organization, should receive as much attention as is necessary to help

them acclimate to the changes and perform at their best.

Recommendations for Further Research

Organization-wide implementations of the changes mandated by the NPR had

been in effect for a little more than five years at the time of this writing. Research

suggested that the true, measurable results of the changes might not start to appear until at

least five or even ten years after the process. An ongoing monitoring of the process, if

not a formal scientific study, is recommended.

Past records and feedback could be analyzed to establish a baseline regarding

satisfaction related to key elements of HRMD service to MMAC Division Managers and

Tenant Organization Managers. HRMD employee satisfaction reports from previous

years could also be compared to current satisfaction reports to identify those elements

related to the change.

A previous recommendation was that organizations develop contingency plans

and be prepared to "reinvent themselves" if necessary. Organizations should thoroughly

document the process and keep a "lessons learned" file from which they could benefit as

could other organizations considering similar processes. The MMAC could benefit from

such an approach.

Finally, organizations both public and private should recognize that such research

must be ongoing in order to be effective. Using research studies as a "snapshot" of

organizational performance for one point in time will be limited in its usefulness. What

is recommended is an ongoing solicitation of both informal and formal internal and external stakeholder feedback. The goal of such research should not be to simply measure satisfaction, but to continuously work to improve it. With its resources and objectivity, academia could be the provider of such research.

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APPENDIXES

APPENDIX A

SURVEY INSTRUMENT

Survey Instrument

Adopting the Process
1.   Many organizations (public and private) have adopted a "stakeholder" philosophy, that is, a belief that there are a number of individuals or entities both internal and external to the organization who have a vested interest in the actions of the organization. For the purposes of our study, we will use this definition to describe a "stakeholder," and will discuss primarily the Human Resource Department's involvement in the process.

   a.   In your opinion, was the HRM reorganization based on a "stakeholder" approach?

   b.   Would you describe yourself as a stakeholder? Please explain.

   c.   What other groups would you describe as "stakeholders" in the outcomes affected by the HR department's decision to adopt this concept? (internal/external customers)

   d.   In your opinion, what led to this change?

   e.   When did you first learn that the customer focus initiative or "stakeholder focus" was going to be adopted?

   f.   What was your initial reaction? (skeptical, optimistic, etc.)

   g.   How did your peers react? Your employees?

   h.   What means were used to educate you on the process? Your employees?

   i.   As I understand it, the department began to define itself in terms of its "customers." Could you tell me a little more about that?

   j.   Discuss challenges, etc.

During the Process/After its implementation
1.   Please briefly describe/summarize the process for me.

   A.   What were some of the real "successes" in your opinion?

      1.   Tangible and intangible

      2.   Bottom line results?

      3.   Now that changes have been implemented, how would you describe the current situation (effective, not effective, etc.)

2.   In your opinion, what could have been done differently?
   - Critical incidents, defining moments, what could/should have changed

3.   What do you think most of the "stakeholders" would have to say about the changes now that they've had some time to take effect?
   - What should stakeholders at other levels be asked in future research?

Advice to Others
1.   Imagine I was a manager from another governmental organization and I told you our organization was going to develop a more customer/stakeholder-focused culture. From your own experiences and observations, what advice would you have for me?

APPENDIX B

INSTITUTIONAL REVIEW BOARD

APPROVAL FORM

Oklahoma State University
Institutional Review Board

Protocol Expires: 12/3/2001

Date   Monday, December 04, 2000   IRB Application No   ED0162

Proposal Title   A CASE STUDY OF THE STAKEHOLDER CONCEPT WITHIN THE MIKE MONRONEY
                  AERONAUTICAL CENTER

Principal
Investigator(s)

Burt Smith   Mary Kutz
2107 NW 117th   319 Willard
Oklahoma City, OK 73120   Stillwater, OK 74078

Reviewed and
Processed as   Exempt

Approval Status Recommended by Reviewer(s) Approved

Signature

Carol Olson

Monday, December 04, 2000

Carol Olson, Director of University Research Compliance   Date

Approvals are valid for one calendar year, after which time a request for continuation must be submitted Any modifications
to the research project approved by the IRB must be submitted for approval with the advisor's signature The IRB office
MUST be notified in writing when a project is complete Approved projects are subject to monitoring by the IRB Expedited
and exempt projects may be reviewed by the full Institutional Review Board

APPENDIX C

PARTICIPATION LETTER

OSU

OKLAHOMA STATE UNIVERSITY

Date: 1/3/01
To:
From: Burt Smith

Dear Mr. _____ :

     I am a doctoral student in the College of Education at Oklahoma State University. Your organization's implementation of a customer-focused culture has intrigued me to the point that I have decided to conduct a study of the process for my dissertation. I will be working to develop a case study that could be used as a model other public organizations could use a guide to implementing similar processes for their organizations.

     In addition to conducting an extensive review of the literature on this subject, I would like to obtain feedback from those who were involved in the process. With that in mind, I would like your permission to ask you a few questions at a time that's convenient to you within the next two weeks. With your permission, an audiotape will be made of the interview to ensure that the findings are accurately recorded. Once data is recorded and analyzed, all tapes will be destroyed to protect the confidentiality of the interviewees.

     Although I have no sensitive questions to ask, I assure you that all of your responses will be kept completely confidential, and only a summary of the findings will appear in the final report. All respondents will be numerically coded and you will in no way be identified in the report.

     Ms. Ritz has kindly given me permission to work on this project and agrees that this research may benefit not only other organizations who wish to study your success, but may also help the Mike Monroney Center by providing a historical perspective on this process.

     A copy of the questions we will be discussing is attached for your review. Should you have any questions about this research, please call me at 748-5835 or contact Terry in Ms. Ritz's office at 954-4521. Thank you in advance for your help with this important project.

Sincerely,

Burt Smith

APPENDIX D

CONSENT FORM

CONSENT FORM

A. AUTHORIZATION

I,_____ hereby authorize or direct Burt Smith, or associates or assistants of his choosing, to perform the following treatment or procedure.

B. DESCRIPTION

1. The title of the study is "A Case Study of the Stakeholder Concept Within the Mike Monroney Aeronautical Center."

2. The case study involves research and is being conducted through Oklahoma State University.

   The purpose of the research is to investigate the process involved in adopting a more customer-focused culture and operational structure within the Mike Monroney Aeronautical Center (MMAC) of the Federal Aviation Administration. Interviews will be conducted in one session of approximately one hour in duration. The duration of the interview could vary slightly contingent upon the length of your responses to the open-ended questions. There are no "right or wrong" responses, only your opinions.

3. Procedures – You will be asked to respond to a series of open-ended questions identified in Appendix A. Extensive notes will be taken during the interview including observations and personal reactions of the researcher or associate researcher. Audiotapes will be made of your interview to aid in analysis of the data and to ensure that your comments are properly interpreted. The audiotapes will be transcribed and associated with the researcher's notes. Transcriptions of your interview and the researcher's notes will be identified by a number coding only – your name will not appear with or be associated with the data in any way. Once collected, the total responses will be broken down and categorized using an open-coding process. Once the tapes are transcribed and the data analyzed, the tapes of your interview and those of the other respondents will be destroyed to protect your confidentiality.

4. There are no experimental procedures associated with the study.

5. Safeguards have been included the procedures to offset the risk of the respondents' identities being revealed. Audiotapes made during the interview will be transcribed by an independent party and identified in print by number only, not by name. Once the data is transcribed, the tapes will be destroyed. No discomfort is anticipated and you may decline to answer any question if you choose.

6. Insights from the case study may provide a useful resource for others in government and industry and serve as a basis for further research in the field of leadership, management and stakeholder satisfaction. Your input will benefit the study of stakeholder satisfaction and may help organizations, both public and private, that are interested in developing a similar process.

7. There are no alternative procedures or courses of treatment that might be advantageous to the subject. Recognizing that your time is valuable, personal interviews were chosen as the research methodology in order to both allow you to respond in your own words and to minimize the time you are asked to invest in this research.

8. Specific measures to be taken to ensure confidentiality of the of the research data include use of a numbering system on all documents rather than names of subjects. All audiotapes will be controlled by the researcher and destroyed as soon as the data is properly formatted. Your responses will be shared with no one and only a summary of responses, identified exclusively by respondent code, will appear in the summary report.

9. The study involves no more than minimal risk to the subjects. There are no sensitive questions included in the research, and you may decline to respond to any question or decline comment at any time during the interview and your responses will in no way be attributed to you.

10. Subjects may contact Ms. Lindy Ritz, the Director of the Mike Monroney Aeronautical Center, about issues related to the study, research subject's rights, or research-related injury to the subject. Phone: 405-954-3011. An additional contact is Sharon Bacher, IRB Executive Secretary, Oklahoma State University, 203 Whitehurst, Stillwater, OK 74078. Phone: 405-744-5700.

C. VOLUNTARY PARTICIPATION

I understand that participation is voluntary and that I will not be penalized if I choose not to participate. I also understand that I am free to withdraw my consent and end my participation in this project at any time without penalty after I notify the project director.

D. CONSENT

I have read and fully understand the consent form. I sign it freely and voluntarily. A copy has been given to me.

Date: _____   Time: _____ (a.m./p.m.)

Signed:

Signature of person authorized to sign for subject, if required
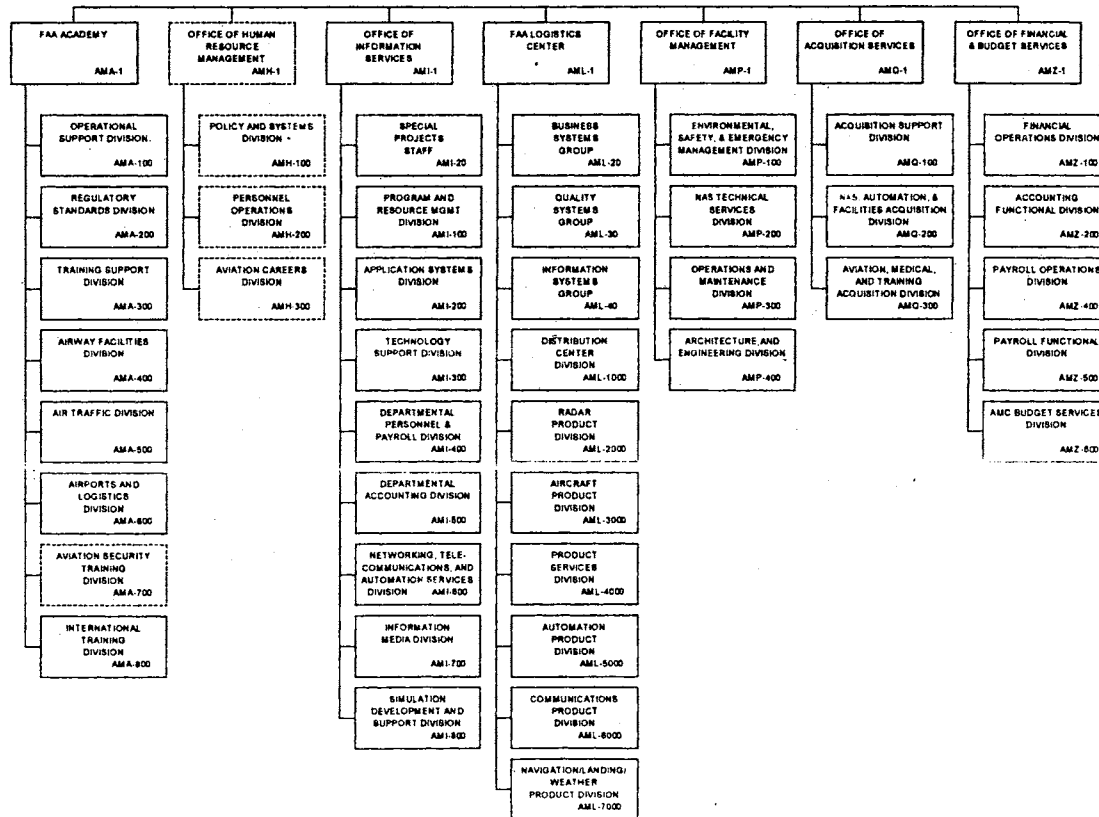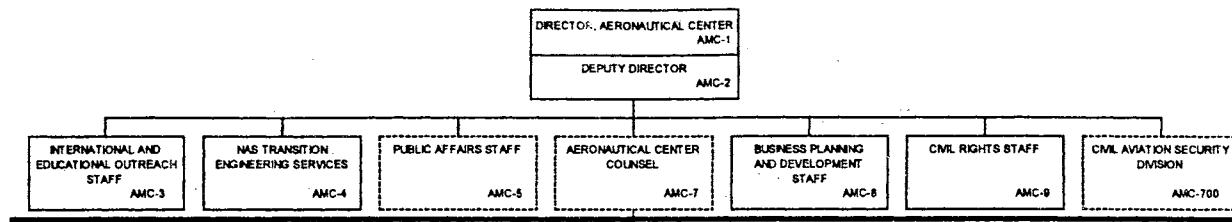
Witness(es) if required:

I certify that I have personally explained all elements of this form to the subject or his/her representative before requesting the subject or his/her representative to sign it.

Signed:

Project director or authorized representative

APPENDIX E

ORGANIZATIONAL CHART

DIRECTOR, AERONAUTICAL CENTER
AMC-1

DEPUTY DIRECTOR
AMC-2

| INTERNATIONAL AND EDUCATIONAL OUTREACH STAFF AMC-3 | NAS TRANSITION ENGINEERING SERVICES AMC-4 | PUBLIC AFFAIRS STAFF AMC-5 | AERONAUTICAL CENTER COUNSEL AMC-7 | BUSINESS PLANNING AND DEVELOPMENT STAFF AMC-8 | CIVIL RIGHTS STAFF AMC-9 | CIVIL AVIATION SECURITY DIVISION AMC-700 |

FAA ACADEMY AMA-1	OFFICE OF HUMAN RESOURCE MANAGEMENT AMH-1	OFFICE OF INFORMATION SERVICES AMI-1	FAA LOGISTICS CENTER AML-1	OFFICE OF FACILITY MANAGEMENT AMP-1	OFFICE OF ACQUISITION SERVICES AMQ-1	OFFICE OF FINANCIAL & BUDGET SERVICES AMZ-1
OPERATIONAL SUPPORT DIVISION AMA-100	POLICY AND SYSTEMS DIVISION AMH-100	SPECIAL PROJECTS STAFF AMI-20	BUSINESS SYSTEMS GROUP AML-20	ENVIRONMENTAL, SAFETY, & EMERGENCY MANAGEMENT DIVISION AMP-100	ACQUISITION SUPPORT DIVISION AMQ-100	FINANCIAL OPERATIONS DIVISION AMZ-100
REGULATORY STANDARDS DIVISION AMA-200	PERSONNEL OPERATIONS DIVISION AMH-200	PROGRAM AND RESOURCE MGMT DIVISION AMI-100	QUALITY SYSTEMS GROUP AML-30	NAS TECHNICAL SERVICES DIVISION AMP-200	NAS AUTOMATION, & FACILITIES ACQUISITION DIVISION AMQ-200	ACCOUNTING FUNCTIONAL DIVISION AMZ-200
TRAINING SUPPORT DIVISION AMA-300	AVIATION CAREERS DIVISION AMH-300	APPLICATION SYSTEMS DIVISION AMI-200	INFORMATION SYSTEMS GROUP AML-40	OPERATIONS AND MAINTENANCE DIVISION AMP-300	AVIATION, MEDICAL, AND TRAINING ACQUISITION DIVISION AMQ-300	PAYROLL OPERATIONS DIVISION AMZ-400
AIRWAY FACILITIES DIVISION AMA-400		TECHNOLOGY SUPPORT DIVISION AMI-300	DISTRIBUTION CENTER DIVISION AML-1000	ARCHITECTURE AND ENGINEERING DIVISION AMP-400		PAYROLL FUNCTIONAL DIVISION AMZ-500
AIR TRAFFIC DIVISION AMA-500		DEPARTMENTAL PERSONNEL & PAYROLL DIVISION AMI-400	RADAR PRODUCT DIVISION AML-2000			AMC BUDGET SERVICES DIVISION AMZ-600
AIRPORTS AND LOGISTICS DIVISION AMA-600		DEPARTMENTAL ACCOUNTING DIVISION AMI-500	AIRCRAFT PRODUCT DIVISION AML-3000			
AVIATION SECURITY TRAINING DIVISION AMA-700		NETWORKING, TELE-COMMUNICATIONS, AND AUTOMATION SERVICES DIVISION AMI-600	PRODUCT SERVICES DIVISION AML-4000			
INTERNATIONAL TRAINING DIVISION AMA-800		INFORMATION MEDIA DIVISION AMI-700	AUTOMATION PRODUCT DIVISION AML-5000			
		SIMULATION DEVELOPMENT AND SUPPORT DIVISION AMI-800	COMMUNICATIONS PRODUCT DIVISION AML-6000			
			NAVIGATION/LANDING/ WEATHER PRODUCT DIVISION AML-7000			

$\mathcal{X}$

VITA

Burton Thomas Smith

Candidate for the Degree of

Doctor of Education

Thesis: A CASE STUDY OF THE STAKEHOLDER CONCEPT WITHIN THE MIKE
MONRONEY AERONAUTICAL CENTER OF THE FEDERAL AVIATION
ADMINISTRATION

Major Field: Applied Educational Studies

Biographical:

Personal Data: Born in Oklahoma City, Oklahoma February 27th, 1968, son of
Thomas H. and Wanda M. Smith

Education: Graduated from Cheyenne High School, Cheyenne, Oklahoma in
May, 1986. Recieved Bachelor of Business Administration degree with a
double major in management and marketing and a Master of Science
degree in Natural and Applied Sciences from Oklahoma State University
in December 1990 and December1998, respectively. Completed the
requirements for the Doctor of Education degree with a major in Applied
Educational Studies in May 2001.

Experience: Worked as account manager for Lever Brothers Consumer Products
1990-1993. Served as training consultant for Dale Carnegie Training
Systems 1994, remained on adjunct instructional team until 1999. Co-
founded Executive Marketing Information (EMI) consultancy in 1994,
later purchased the company to become sole owner. Served as president
of the American Marketing Association 1998-99, Served on the Board of
Directors of the Greater Oklahoma City Chamber of Commerce in the year
2000. Served as Chair of the North Metro Area Council in 2000.

Honors and Awards: Member Phi Kappa Phi, 2001; 2001 Reserve Champion
Auctioneer; Past President of the American Marketing Association
(leading chapter to first National Chapter Excellence Award); served two
terms as President; First Oklahoman to receive Professional Certified
Marketer designation; hold Certified Marketing Executive designation
(one of only 1400), a certification offered by the Sales & Marketing
Executives International; current certification chair for SMEIOKC, also
holds Certified Quality Manager Designation from the American Society
for Quality. Adjunct instructor of marketing, strategic planning,
entrepreneurship, and action research at PACE degree completion
program;1996 Volunteer of the Year, North Metro Council, Oklahoma
City, Oklahoma.

Name: Burton Thomas Smith

Date of Degree: May, 2001

Institution: Oklahoma State University

Location: Stillwater, Oklahoma

Title of Study: A CASE STUDY OF THE STAKEHOLDER CONCEPT WITHIN THE MIKE MONRONEY AERONAUTICAL CENTER OF THE FEDERAL AVIATION ADMINISTRATION

Pages in Study: 146

Candidate for the Degree of Doctor of Education

Major Field: Applied Educational Studies

Scope and Method of Study: The purpose of this study was to investigate the evolution of the marketing concept and the change in managerial philosophy required to implement and develop the concept of internal and external "stakeholders" served by the Human Resources Management Division (HRMD) of the MMAC organization. The broad research questions addressed in the study included: 1) What led the FAA to adopt the stakeholder focus?; 2) What challenges were faced in the adoption of the process?; 3) What were managers' perceptions of the current situation?; and 4)What reflections/suggestions did managers involved in the process have in retrospect?. These research questions formed the basis of the interviews conducted with a cross section of division managers, managers from tenant organizations, and managers from the HRMD of the Mike Monroney Aeronautical Center (MMAC).

Findings and Conclusions: Findings indicated that the restructure of the organization in order to be more customer focused was driven by necessity. However, interviewees suggested that the HMRD was very customer focused prior to the restructure. The major challenges were the adjustments to the changes and addressing the fear both among internal and external stakeholders about how the changes would personally affect them. Division Manager interviewees were mostly satisfied with the current situation, and those from Tenant Organizations were less satisfied. Interviewees from the HRMD believed the current situation was working, but were dedicated to continually improving the service. In reflection, managers from each group suggested a strong sense of purpose and thorough communication with internal and external stakeholders throughout the process should be the main consideration of any manager undertaking a similar change.

ADVISER'S APPROVAL: _Mary Kutz_