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Prepared Statement of  
The Honorable Michael Dominguez  
Principal Deputy Under Secretary of Defense  
for Personnel and Readiness

Before the  
House Armed Services Readiness Subcommittee

2:00 PM  
March 6, 2007

Michael L. Dominguez was nominated by the President as the Principal Deputy Under Secretary of Defense for Personnel and Readiness on November 21, 2005 and confirmed by the Senate on July 11, 2006. As a presidential appointee confirmed by the Senate, he is the primary assistant to the Under Secretary of Defense for Personnel and Readiness providing staff advice to the Secretary of Defense and Deputy Secretary of Defense for total force management as it relates to manpower; force structure; readiness; Reserve component affairs; health affairs; training; and personnel policy and management, including equal opportunity, morale, welfare, recreation, and quality of life matters.

Prior to this appointment, Mr. Dominguez served, from August 2001 until July 2006, as the Assistant Secretary of the Air Force for Manpower and Reserve Affairs. His responsibilities included developing and overseeing Air Force manpower and personnel policies, readiness, and Reserve component affairs.

Mr. Dominguez also served as Acting-Secretary of the Air Force from March 28, 2005 thru July 29, 2005. In this role, he was responsible for the affairs of the Department of the Air Force, including the organizing, training, equipping and providing for the welfare of its more than 360,000 men and women on active duty, 180,000 members of the Air National Guard and the Air Force Reserve, 160,000 civilians, and their families.

As an Air Force dependent, Mr. Dominguez grew up on bases around the world. After graduating in 1975 from the U.S. Military Academy at West Point, N.Y., he was commissioned a second lieutenant in the U.S. Army, reported to Vicenza, Italy, then worked varied assignments with the 1st Battalion, 509th Infantry (Airborne) and the Southern European Task Force. After leaving the military in 1980, Mr. Dominguez went into private business and attended Stanford University's Graduate School of Business. In 1983 he joined the Office of the Secretary of Defense as an analyst for Program Analysis and Evaluation (PA&E).

Mr. Dominguez entered the Senior Executive Service in 1991 as PA&E's Director for Planning and Analytical Support. In this position he oversaw production of DOD's long-range planning forecast and its \$12 billion in annual information technology investments. He also directed the PA&E modernization of computing, communications and modeling infrastructure. He joined the Chief of Naval Operations staff in 1994 and assisted in the Navy's development of multi-year programs and annual budgets. Mr. Dominguez left federal government in 1997 to join a technology service organization. In 1999 he began work at the Center for Naval Analyses where he organized and directed studies of complex public policy and program issues. In 2001 he rejoined the staff of the Chief of Naval Operations where he worked until his appointment as Assistant Secretary of the Air Force.

## **EDUCATION**

1975 Bachelor of Science degree, U.S. Military Academy, West Point, N.Y.

1983 Master's degree in business administration, Stanford University, Stanford, Calif.

1989 Program for Senior Officials in National Security, Harvard University

## **CAREER CHRONOLOGY**

1. June 1983 - September 1988, program analyst, Office of the Secretary of Defense for Program Analysis and Evaluation, Washington, D.C.
2. October 1988 - September 1991, executive assistant to the Assistant Secretary of Defense for Program Analysis and Evaluation, Washington, D.C.
3. October 1991 - September 1994, Director for Planning and Analytical Support, Office of the Assistant Secretary of Defense for Program Analysis and Evaluation, Washington D.C.
4. October 1994 - April 1997, Associate Director for Programming, Office of the Chief of Naval Operations, Washington, D.C.
5. April 1997 - September 1999, General Manager, Tech 2000 Inc., Herndon, Va.
6. September 1999 - January 2001, Research Project Director, Center for Naval Analyses, Alexandria, Va.
7. January 2001 - August 2001, Assistant Director for Space, Information Warfare, and Command and Control, Office of the Chief of Naval Operations, Washington, D.C.
8. August 2001 - March 2005, Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.
9. March 2005 – July 2005, acting Secretary of the Air Force and Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.
10. July 2005 – July 2006, Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.
11. July 2006 – Present, Principal Deputy Under Secretary of Defense for Personnel and Readiness, Washington, D.C.

## **AWARDS AND HONORS**

- 1980 Army Commendation Medal
- 1988 and 1994 Defense Meritorious Civilian Service Medal
- 1993 Defense Civilian Service Medal
- 1997 Superior Civilian Service Medal, Department of the Navy
- 1998 Meritorious Executive Presidential Rank Award
- January 2005, July 2005 and July 2006, Air Force Exceptional Civilian Service Medal

Mr. Chairman and members of this distinguished Subcommittee: Thank you for the opportunity to talk with you about the implementation of the National Security Personnel System (NSPS) at the Department of Defense. NSPS is well underway, as of today we have close to 80,000 DoD employees operating under NSPS. I'd like to give you an update on our progress. Mrs. Mary Lacey, the Program Executive Officer responsible for design, development and implementation of NSPS, joins me here today and together we will be happy to take your questions.

You called this hearing today to ask us if NSPS is working. Recognizing that we are still early in the implementation process, my answer is "yes," NSPS is working. With Deputy Secretary of Defense Gordon England leading the NSPS transformation, the Department is committed to successfully implementing NSPS. The design of NSPS has been well thought out, well managed, and extensively overseen. We have moved very carefully and deliberately to design and implement a system that achieves the Department's goal for a flexible human resources system that is results-focused and performance-oriented.

It is early in the journey and it will take years before the Department realizes all the results NSPS was designed to produce, but we are already seeing a powerful return on investment: an unprecedented training effort focused on performance management, for employees *and* supervisors; greater communication between supervisors and employees – people are talking about performance, results, and mission alignment; and increased flexibility in rewarding exceptional performance. For those organizations under NSPS, we are seeing positive movement in behaviors and in organizational culture. These early returns are cause for optimism as we continue to deploy the system.

In November, 2003 Congress gave the Department the authority to develop a more flexible civilian personnel management system that would enhance our ability to execute our national security mission. Today, NSPS remains as vital to the success of the Department's mission as it was in November 2003. This modern, flexible human resources management system improves the way DoD hires, compensates, and rewards its civilian employees, while preserving employee protections and benefits, veterans' preference, as well as the enduring core values of the civil service. NSPS provides a performance management system that better aligns individual performance objectives with DoD's mission and strategic goals. Successful implementation of NSPS is integral to the Department's Human Capital Strategy of developing the right mix of people and skills across the Total Force – a Force that is capable of responding quickly and decisively to existing and emerging threats.

In November 2005, the Department and the U.S. Office of Personnel Management (OPM) published joint final regulations and in April 2006, the Department began implementing the human resources provisions of NSPS. Approximately 11,000 employees from numerous DoD organizations converted as the first part of our phased approach to implementation. Referred to as Spiral 1.1, this first phase has gone smoothly, with extensive and comprehensive training to managers, supervisors, and employees, and a near flawless conversion of employees from the General Schedule grades to the new NSPS pay bands. All Spiral 1.1 employees were paid accurately and on time, with approximately 80% of the employees receiving an initial pay increase based on time spent toward their next within-grade increase. More importantly, these organizations and individuals transitioned to a personnel system that focuses on performance and results,

with increased communication between employees and their leadership.

One important key to our success was the extensive consultations the Department and OPM carried out before hand with all relevant stakeholders, from supervisors, managers, and employees, to unions, to Congress, to a number of public interest groups. During the NSPS design phase, the Department held hundreds of town hall meetings, focus groups, and other outreach efforts to hear from multiple stakeholders, both inside and outside the Department. We reviewed thousands of written comments during the rulemaking process. It was not possible to accept every single suggestion, but each one was read, or listened to, and the Department did change and adapt in response. The practice of consultation and collaboration continues throughout the implementation of NSPS.

The Department's robust training program is another reason for the success of NSPS to date. It is one of the most extensive civilian focused training initiatives ever undertaken in DoD. From the computer to the classroom, from conversion through the appraisal cycle, we have offered our employees multiple training opportunities on the elements of NSPS, with a focus on the performance management system. Training was offered in a variety of formats – on the web, in large presentations, and in small groups. As of February 2007, about a half million training events have taken place. In addition to training on NSPS mechanics, supervisors were trained in “soft skills” – how to coach, mentor, and build a team. Employees also were offered soft skill training - how to communicate, improve writing skills, interact with their supervisor. Importantly, training was never a one-time only event – employees were given opportunities to raise follow-up questions and concerns. The goal was to make sure all participants understood the new

system and their roles in making it successful.

Spiral 1.1 employees recently completed the first appraisal cycle under the performance management system and we have good news. It is evident that our supervisors and employees benefited from the training. They worked together to develop meaningful job objectives and the ratings reflect a high performing workforce contributing to achieving organizational goals.

As a result of feedback we received from our workforce throughout the first cycle, we already made some adjustments. For instance, both supervisors and employees expressed the need for additional training on writing job objectives and self assessments. As a result, we expanded our training and recently launched a new tool on our website to assist employees with these critical steps in the performance management system. Supervisors expressed a need for additional guidance on pay setting and compensation management – we responded and will soon issue comprehensive guidance in this area as well.

These represent just a couple of key adjustments already made as a result of early feedback from our workforce. To complement the immediate feedback we received, we are developing a comprehensive plan for assessment and longer term evaluation of the system.

As part of this process, the Program Executive Officer, Mrs. Mary Lacey, has hosted several Lessons Learned Workshops with Spiral 1.1 senior leaders to review progress and chart the way forward. The feedback from the senior leaders on the “front line” of implementation has been very useful in identifying areas needing attention including improvements to automation to support the performance management process,

and assistance in writing job objectives.

The next major phase in our transition to NSPS was the Spiral 1.2 conversion, between October 2006 and February 2007. We converted an additional 66,000 employees, some of them based overseas. Spiral 1.3 will result in 37,000 employees converting to the new personnel system between March and April 2007. We have provided our organizations flexibility in scheduling the conversion to ensure they have sufficient time to do the training, do it right and implement when they are ready.

By the end of next month, the total number of employees who will have transitioned to NSPS will exceed 114,000 – more employees than most Cabinet-level agencies. That is substantial progress, and the support and attention we have received from our senior leaders have enabled us to sustain all-important momentum in this transformation.

One of the key ingredients to effective program management is program evaluation, and that applies to NSPS. The Department has an on-going evaluation effort – a mechanism to monitor the effectiveness of NSPS and its effect on the workforce – to ensure the system is delivering the results we expect. The evaluation process includes in-depth analysis of personnel data and statistics, employee surveys, structured interviews, and other methodologies to assess the program's effectiveness. We've gained considerable experience in evaluation from our personnel demonstration projects, and we're working closely with OPM to ensure we have rigorous, objective analysis and data upon which to assess the system. This is an important feature of our spiral implementation approach, in which we expect to make incremental adjustments to the system going forward.



NSPS is a results-focused, performance-oriented human resource management system uniquely suited to the needs of a modern, agile defense establishment engaged in a global war. The essential companion to our new human resource management system is a modern labor relations system. Our proposed redesign of the labor system, as well as the adverse actions and appeals provisions of the human resource system, are the subject of a legal challenge, and have been enjoined by the District Court. The Department and OPM have appealed that decision. In the meantime, we moved forward with implementing those elements of the human resources management system (classification, compensation, performance management, staffing, and workforce shaping provisions) that were not enjoined. The Department elected to implement these provisions to non-bargaining unit employees until the litigation concerning the other parts of NSPS is resolved. We expect a decision on the appeal this spring.

The Department remains hopeful that the courts will rule in our favor, and if not, that Congress will provide constructive clarification to allow full implementation of NSPS. Meanwhile, the Department will press ahead wherever we can. NSPS is designed to be a DoD-wide system, bringing the greatest benefits to the Department – and to the American taxpayer – when the system is allowed to operate as a cohesive whole.

And so to answer your question: “NSPS: Is it really working?” We believe it is. We also know that fundamental organizational and cultural change takes time – it can’t be achieved overnight. We are taking the time to do it right – Secretary England has repeatedly stated that NSPS is event-driven and we will continue to approach our design and implementation with that in mind. But it will also take time to assess how it is

working – the first surveys, the first statistics, all serve as initial data points – it will take more than one performance cycle for us to truly evaluate how well it is working and where adjustments will be needed for long-term sustenance . In the meantime, we will gather information and be prepared to make the comprehensive evaluation needed to ensure the system is credible, fair and effective.

A key to our success is building consensus – through communication and transparency. The Department is committed to an open, ongoing process of communication and consultation about NSPS with Congress, our employees, and all key stakeholders, including our unions. NSPS is simply the right thing to do for our Department and our country.

Thank you for providing us this opportunity and working with us to make NSPS a great success.