

Strategy and Structural Change: The Lessons from the Department of Homeland Security

Mehmet Akif DEMİRCİOĞLU

Indiana University-Bloomington,

School of Public and Environmental Affairs. Bloomington, Indiana, USA

mdemirci@indiana.edu

Abstract: Organizational change is one of the enduring issues in the study of public administration. There are four types of organizational change: Products and services, strategy and structure, culture, and technology. Strategy and structure changes are related to the administrative field in an existing or new organization. Changing in organization structure, policies, mission, and vision as well as re-organizing, restructuring, downsizing, and privatization can be considered as changes. The creation of the Department of Homeland Security (DHS) in the United States is an example of this change.

Key Words: organizational change, strategy and structure, the department of homeland security, public organizations

The nature of change is not unidirectional or unalterable. An organization may resist or facilitate change in a way consistent with its nature. Organizational change is not isolated to singular effects within an organization; rather, it is likely to affect the other variables under consideration. It is clear that public organizations pursue multiple goals. Charles Wise believes that organizing—or perhaps more accurately, reorganizing—for homeland security will implicate numerous issues of organizational functioning. While not always explicitly identifying the causal mechanisms of change, extant proposals seek to remedy multiple perceived dysfunctional attributes of the current organizational system (Wise, 2002a, 132). This paper will examine organizational change, particularly strategy and structural change, and its implementation within the Department of Homeland Security in the United States of America.

Organizational change is one of the enduring issues in the study of public administration and organization theory (Fernandez & Pitts, 2005, 1). Many journal articles address topics relating to organizational change, such as the adaption and implementation of “reinventing government” and New Public Management Reforms¹ (e.g., Berman and Wang 2000; Brudney and Wright 2002; Fernandez and Rainey, 2006; Grizzle and Pettijohn 2002; Hood and Peters 2004; Julnes and Holzer 2001; Thompson and Fulla 2001). A growing number of scholars have focused their research on the implementation of planned change (Fernandez and Rainey 2006, 6).

Change, according to Van de Ven and Poole (1995), is one type of event process, or progression, of an organizational entity's existence over time. It is classified as an empirical observation of difference in structure, quality, or status over time in an organizational element, such as an individual's job, a work group, an organizational strategy, a program, a product, or the whole organization. Organizational change is sometimes accompanied by the word, ‘development’, which is a process involving change. Process theory is an explanation of how and why and organizational elements change and develop. Theoretical explanations are useful for identifying the generative mechanisms that cause events to happen and the context in which they occur. It is important to mention here is that as Lois Wise puts, studies of change in organizations may take different approaches (Lois Wise, 2002, 556)

According to Robbins, change involves four categories: structure, technology, physical setting, and people. Changing structure involves making an alteration in authority relations, coordination mechanisms, job design, or similar structural variables. Changing technology encompasses modifications in the way work is processed and in the methods and equipment used. Changing the physical setting covers altering the space and layout arrangements in the workplace. Changing people refers to change in employee attitudes, skills, expectations, perceptions, and/or behavior (Robbins, 2000, 543).

¹ According to Rago, it is the premise of an increasing number of reform movements in both private and public sectors all over the world that the hearts and minds of staff need to be won over to a new attitude and style in order to secure new managerial techniques and for innovations to “take root” (Rago 1996).

Four Types of Changes

Daft's strategic types of changes are similar to Robbins' classification. Four strategic types characterize organizational change: products and services, strategy and structure, culture, and technology. Each of the areas are interdependent, a change in one may affect another. Organizations should focus on their unique configuration of these strategies for maximum impact upon their chosen markets (Daft, 2001).

Technology changes are related to an organization's production process, including its knowledge, skills, and experience base, which provide distinctive capability. It is expected that these changes are designed to make production more efficient or to produce more output. Using Internal Revenue Service e-files¹ can be considered as one type of technology change. Product and service changes refer to the product or service outputs of an organization. New products include either small adaptations of same products or new product. For instance, Turkish Statistical Institute established a new statistical law,² which has been prepared in compliance with the EU standards. With this law, personnel benefits and salary have been improved. Thus, this change provides better conditions for the employees, which can be considered as product and service changes.

Strategy and structure changes are related to the administrative field in an existing or new organization. Changing in organization structure, policies, mission, and vision as well as re-organizing, restructuring, downsizing, and privatization can be considered as changes. The creation of the DHS is an example of this change. Daft explains that structure and system changes are usually top-down, that is, mandated by top management. On the other hand, product and technology changes may often come from the bottom up (Daft, 2001, 357).

Management of culture is one of the most frequently discussed organizational concepts of the last two or three decades (Driscoll and Morris 2001). Culture changes are related to values, attitudes, expectations, beliefs and behavior of employees. Therefore, this change is related to mindset. Ates argues that the successful implementation of new programs and policies often requires not only changes in systems and procedures but also a change in the culture of the organization, the underlying values of an organization, and the way in which management reinforces those values. Culture colors the look, feel, and focus of management and service delivery (Ates, 2004, 34). For instance, entrepreneurship in the public sector is related to cultural change, "Entrepreneurship can be defined as 'the process of creating value by bringing together a unique package of resources to exploit an opportunity'" (Stevenson and Gumbert 1985, 85). Underlying entrepreneurial attitudes and behaviors are three key dimensions: innovativeness, risk taking, and proactiveness (Covin and Slevin 1989). Hence, these three variables—innovativeness, risk taking, and proactiveness can be considered as the cultural change. A government's sending students to abroad can be expected to changes the organizational culture in the long term.

From Theory to Practice: Organizing for Homeland Security

The United States Department of Homeland Security (DHS) is a Cabinet department of the United States federal government with the primary responsibilities of protecting the territory of the U.S. from terrorist attacks and responding to natural disasters. While the Department of Defense is charged with military actions abroad, the Department of Homeland Security works in the civilian sphere to protect the United States within, at, and outside its borders. Its stated goal is to prepare for, prevent, and respond to domestic emergencies, particularly terrorism.

According to Raphael (2004), the creation of DHS constituted the biggest government reorganization in American history and the most substantial reorganization of federal agencies since the National Security Act of 1947, which placed the different military departments under a secretary of defense and created the National Security Council and Central Intelligence Agency. DHS constitutes the most diverse merger of federal functions and responsibilities, incorporating 22 government agencies under itself (Raphael, 2004, 176-177). Figure one shows these 22 government agencies.

A DHS reorganization plan of November 25, 2002, sets out a blueprint for the new organization. Included are five directorates: (1) Border and Transportation Security; (2) Emergency Preparedness and Response; (3) Science and Technology; (4) Information Analysis and Infrastructure Protection; and (5) Management.

¹ <http://www.irs.gov/efile/index.html?portlet=4>

² Turkish Statistical Law has been published in the Official Gazette numbered 25997 on 18th of November 2005 and entered into force on the same day. The new law has been adopted in accordance with our commitments on account of statistical system applied in EU countries. The new law has changed the name of our institute as Turkish Statistical Institute (TURKSTAT) (<http://www.turkstat.gov.tr/UstMenu.do?method=tarihce>).

1. International Symposium on Sustainable Development, June 9-10 2009, Sarajevo

In response to the September 11, 2001 attacks, President George W. Bush announced the establishment of the Office of Homeland Security (OHS) to coordinate "homeland security" efforts. In January 2003, the office was merged into the Department of Homeland Security and the White House Homeland Security Council, both of which were created by the Homeland Security Act of 2002. The Homeland Security Council, similar in nature to the National Security Council, retains a policy coordination and advisory role and is led by the Assistant to the President for Homeland Security (http://www.dhs.gov/xlibrary/assets/nat_strat_hls.pdf).

Original Agency (Department)	Current Agency/Office
The U.S. Customs Service (Treasury)	<u>U.S. Customs and Border Protection</u> - inspection, border and ports of entry responsibilities <u>U.S. Immigration and Customs Enforcement</u> - customs law enforcement responsibilities
The Immigration and Naturalization Service (Justice)	<u>U.S. Customs and Border Protection</u> - inspection functions and the U.S. Border Patrol <u>U.S. Immigration and Customs Enforcement</u> - immigration law enforcement: detention and removal, intelligence, and investigations <u>U.S. Citizenship and Immigration Services</u> - adjudications and benefits programs
The Federal Protective Service	<u>U.S. Immigration and Customs Enforcement</u>
The Transportation Security Administration (Transportation)	<u>Transportation Security Administration</u>
Federal Law Enforcement Training Center (Treasury)	<u>Federal Law Enforcement Training Center</u>
Animal and Plant Health Inspection Service (part)(Agriculture)	<u>U.S. Customs and Border Protection</u> - agricultural imports and entry inspections
Office for Domestic Preparedness (Justice)	Responsibilities distributed within <u>FEMA</u>
The Federal Emergency Management Agency (FEMA)	<u>Federal Emergency Management Agency</u>
Strategic National Stockpile and the National Disaster Medical System (HHS)	Returned to Health and Human Services, July, 2004
Nuclear Incident Response Team (Energy)	Responsibilities distributed within <u>FEMA</u>
Domestic Emergency Support Teams (Justice)	Responsibilities distributed within <u>FEMA</u>
National Domestic Preparedness Office (FBI)	Responsibilities distributed within <u>FEMA</u>
CBRN Countermeasures Programs (Energy)	<u>Science & Technology Directorate</u>
Environmental Measurements Laboratory (Energy)	<u>Science & Technology Directorate</u>
National BW Defense Analysis Center (Defense)	<u>Science & Technology Directorate</u>
Plum Island Animal Disease Center (Agriculture)	<u>Science & Technology Directorate</u>
Federal Computer Incident Response Center (GSA)	<u>US-CERT</u> , Office of Cybersecurity and Communications in the National Programs and Preparedness Directorate
National Communications System (Defense)	<u>Office of Cybersecurity and Communications</u> in the National Programs and Preparedness Directorate
National Infrastructure Protection Center (FBI)	Dispersed throughout the department, including <u>Office of Operations Coordination</u> and <u>Office of Infrastructure Protection</u>
Energy Security and Assurance Program (Energy)	Integrated into the <u>Office of Infrastructure Protection</u>
U.S. Coast Guard	<u>U.S. Coast Guard</u>
U.S. Secret Service	<u>U.S. Secret Service</u>

Figure 1: Government Agencies which became under the DHS.

Administrative Change in the DHS

An organization's structure is defined by how tasks are formally divided, grouped, and coordinated. Change agents can alter one or more of the key elements in an organization's design. For instance, departmental responsibilities can be combined, vertical layers removed, and spans of control widened to make the organization flatter and less bureaucratic. More rules and procedures can be implemented to increase standardization (Robbins, 2000, 543). For instance, when establishing a government agency or department (such as the DHS), the principal decides whether the organization is either a hierarchical or a network style; both of them are related to the organizational change. Theoretically the network style is considered for the DHS, practically the former is implemented. That means that the government is organized in terms of superior-subordinate relations, a chain of command that extends from the chief executive to the lowest level civil servants in the government. Similarly, oversight bodies such as Office of Management and Budget and the General Accountability Office in the U.S. federal government and the legislature exercise oversight through chains of command that are structured vertically through departments (Fountain, 8).

Administrative change typically comes from a leader and/or the senior management. Most organizations in both the public and private sector are organized on a hierarchical basis, even if there is now a growing preference for relatively flat hierarchies (that is, few layers of management). Key policy decisions about the direction of the organization and its structure are made at the top of the hierarchy. That is where the power to change resides. Accordingly, it is commonplace, yet essential, to acknowledge that organizational reform requires strong and committed leadership and direction from the top.

Although legitimacy, credibility, and trust are necessary factors for public organization, it is expected that public organizations administrative performance are also high. Perry believes that administrative performance involves the attainments of public organizations and institutions against goals established implicitly or explicitly by political, social, or organizational sources. Public administration has always been centrally concerned with one or more facets of administrative performance. The field's historical concerns about administrative performance can be summarized by four concepts each beginning with the letter "e", economy, efficiency, effectiveness, and equity (Perry, 1991, 12). Hence, it can be said that in public sector, not only equity, but also economy, efficiency, and effectiveness should be considered. However, it is widely accepted that these four "e"s did not considered when the DHS was established due to emergency situation.

Implementation and Process of Change of the DHS

1) Incremental versus Radical Change

The changes used to adapt to the environment can be evaluated according to scope – that is, the extent to which changes are incremental or radical for the organization. Exhibit 1 shows the differences between these two changes. Incremental change represents a series of continual progressions that maintain the organization's general equilibrium and often affect only one organization part (Daft, 2001, 353). Generally, incremental change occurs through the established structure and management processes, although it may include technology and product change; it does not include cultural change.

Radical change, on the other hand, breaks the frame of reference for the organization, often transforming the entire organization. Radical change involves the creation of a new structure and new management processes. The technology is likely to be breakthrough, and new products thereby created will establish new markets (Daft, 2001, 354). It is also expected that radical change is related to structural change in the short term and cultural change in the long term. When we look at establishing the DHS, it is very clear that this change was radical, which transform the entire organization, and tried to establish the new culture. For instance, during the creating of the DHS, new structure and management has been created, the paradigm was extra-ordinary, and the entire organization has been transformed.

2) Dual-core approach.

When organizational change occurs, it may happen within the administrative or technical core functions. Each core has its set of employees, tasks, and environmental domain. Innovation and change can begin in either one. Administrative changes relate to the design and structure of the organization itself, including restructuring, downsizing, teams, information systems, and departmental groupings. Technology-based changes happen more frequently than administrative changes and fall under the hierarchical oversight of the administration (Daft, 2001). The dual-core approach to organizational change identifies the unique process associated with administrative changes (Daft, 1978).

The administrative core responsibility encompasses control and coordination of the organization itself. The technical core transforms raw materials into organizational products and services. Daft summarizes findings

from research that indicate a mechanistic organization structure is best fitted for frequent administrative changes. Successful administrative changes usually occur in organizations that have a large administrative ratio, are larger in size, and are centralized and formalized (i.e., bureaucratic). The reason is the top-down flow of control in response to changes in the external environment. It can be said that the creation of DHS is an example of an administrative structure. By contrast, an organization with an organic structure, in which lower-level employees have more freedom and autonomy, may resist top down directives. An organic structure is much more conducive to technical changes. These are summarized in Exhibit 2.

Incremental vs. Radical Change

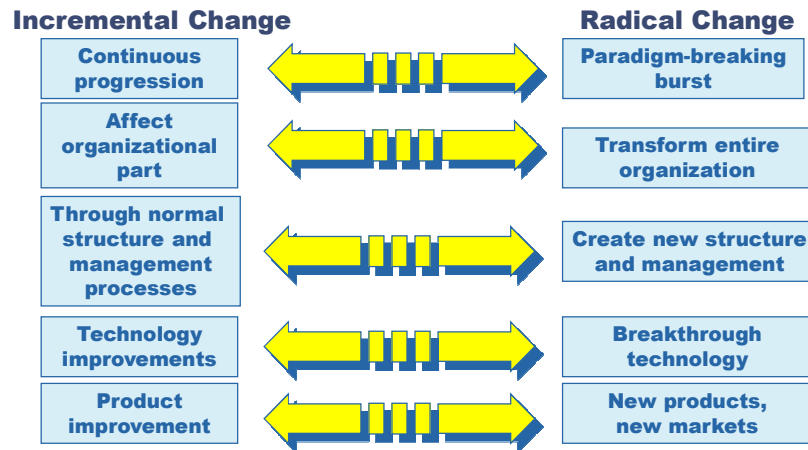


Exhibit 1

Sources: Based on Alan D. Meyer, James B. Goes, and Geoffrey R. Brooks, "Organizations in Disequilibrium: Environmental Jolts and Industry Revolutions," in George Huber and William H. Glick, eds., *Organizational Change and Redesign* (New York: Oxford University Press, 1992), 66-111; and Harry S. Dent, Jr., "Growth through New Product Development," *Small Business Reports* (November 1990): 30-40; Daft, 2001, 354)

Dual-Core Approach to Organization Change

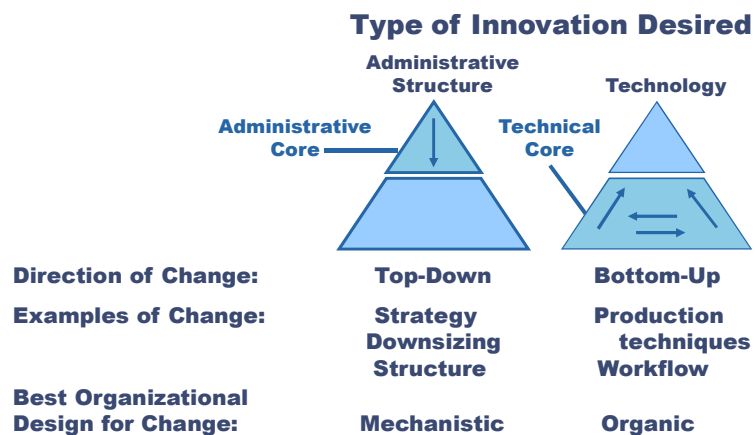


Exhibit 2: Type of Innovation Desired. Daft, 2001.

A change in administration such as downsizing usually has the most far-reaching impact on an organization. In drastic situations, where the change results in elimination or creation of a management level, a consequence is the creation of a new organization chart with new lines of reporting and possibly new responsibilities for individuals and their departments as seen in the creation of the DHS. Induced organizational chart changes may occur for strategic purposes, such as seeking new markets, changes in the environment, or changes in client or customer.

3) Administrative Structure and Core

After the September 11, 2001 attacks, establishing the DHS was not surprising because environmental influences play significant roles in institutionalizing new organizations. As Hall suggests, organizations do not always try to maximize effectiveness. Environmental and technological variations affect the internal characteristics of organizations (Hall, 1972, 65). When looking at the homeland security system, efficiency is not a priority; the priority is to prevent attacks.

In public sector, since there is no clear market as the private sector, the market can be considered as an international environment and/or all public. In other words, public organizations have very different purpose than their private counterparts. As Fountain believes, governmental organizations are not simply technical structures formed to produce outputs; they are institutions that confer legitimacy, credibility, and trust within society. They do not and cannot “go out of business” if they fail to perform well. They are not market-based entities (Fountain, 8). Thus, during the creating of the DHS, after the September 11, the conditions (legitimacy, credibility, trust) are well for to creating this department.

As DiMaggio and Powell and then Wise clearly stated, leaders will seek to overcome the liability of newness by imitating established practices within the field. This is particularly true for new organizations, which could serve as sources of innovation and variation (DiMaggio and Powell 1983). In the federal government, this often means some hierarchical design (Wise, 2002a, 132).

Conclusion

Public organizations always need to make changes in their strategies and structures; otherwise they cannot be sustainable and effective. Meaningful change in public organizations requires that managers exert a concerted effort to implement it successfully (Fernandez & Rainey, 2006, 6). Similarly, change in response to environmental shifts is necessary in order to maintain strategic fit and remain competitive (Andrews, 1971). As seen the new public management and administrative reforms, for instance the DHS, public organizations need to make radical changes in technology, services, culture and strategies in order to adapt to new competitive demands. It has been widely accepted that networks and horizontal structures are more important than vertical and hierarchical structures. Still, many organizations, especially military organizations are highly hierarchical. Thus, the DHS tends to be more hierarchical due to its structure.

The environment for U.S. homeland security could hardly be characterized as stable. As the president—George W. Bush—said, just considering international terrorist organizations, dozens of such organizations exist and are capable of doing harm to the United States. In addition, some of these organizations—such as the pre-eminent foe at the moment, al Qaeda—are very complex and highly differentiated. In fact, reports suggest that al Qaeda does not operate as an organization, but rather as an organizational network. Rather than a single, hierarchically integrated organization, al Qaeda is a loosely coupled collection of terrorist organizations that communicate and cooperate for actions against mutually identified targets of opportunity. This makes it—or rather, those—much more difficult to identify and track, much less counteract. In addition, these organizations do not act according to standard operating procedures, nor do they attack a standard set of targets or follow any set timetable. Also, this is but one terrorist network. It should be expected that other terrorist organizations will be represented by other organizational configurations. Thus, homeland security confronts an organizational field of terrorist organizations of considerable variation and complexity (Wise, 2002a, 132).

One imperative of organizing for homeland security may be developing the capacity for organizations to engage in learning in complex, unstable environments. Nonetheless, another imperative is for new or reorganized organizations to fit into the federal governmental structure. That is, the Constitution and laws constitute organizational imperatives that the organization of homeland security will have to confront (Wise, 2002a, 134). As Vasu suggests, organizational change actions start with diagnosis, but managing change is a snowballing process (Vasu et al, 1998, 280).

References

Andrews, K. R. (1971). *The Concept of Corporate Strategy*. New York: Dow Jones-Irwin.

1. International Symposium on Sustainable Development, June 9-10 2009, Sarajevo

- Ates, Hamza. (2004). Management as an Agent of Cultural Change in the Turkish Public Sector. *Journal of Public Administration Research and Theory*, 14 (1), 33–58.
- Berman, Evan, and Xiao Hu Wang. (2000). Performance Measurement in U.S. Counties: Capacity for Reform. *Public Administration Review* 60: 409-20.
- Brudney, Jeffrey L., and Deil S. Wright. (2002). Revisiting Administrative Reform in the American States: The Status of Reinventing Government During the 1990s. *Public Administration Review* 62: 353-61.
- Covin, J., and D. Slevin. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal* 10: 75–87.
- Daft, Richard L. (1978). A Dual Core-Core Model of Organizational Innovation. *Academy of Management Journal* 21: 193-210.
- Daft, Richard L. (2001). *Organization Theory and Design*. Seventh Edition. South-Western.
- Dent Harry S. Jr. (1990). Growth through New Product Development. *Small Business Reports*, November: 30-40
- Driscoll, Amanda, and Jonathan Morris. (2001). Stepping out: Rhetorical devices and cultural change in the UK civil service. *Public Administration*, 79 (4), 803–824.
- Fernandez, Sergio, and Pitts, David .W. (2007). Under What Conditions Do Public Managers Favor and Pursue Organizational Change? *The American Review of Public Administration*: 37 (3): 324-341
- Jane E. Fountain, Jane E. (No date). Challenges to Organizational Change: Facilitating and Inhibiting Information-Based Redesign of Public Organizations. This paper is one of a series of works in progress sponsored by the Belfer Center for Science and International Affairs (BCSIA), its Governance Initiative in the Middle East, and the Dubai School of Government.
- Grizzle, Gloria A., and Carol D. Pettijohn. (2002). Implementing Performance-Based Program Budgeting: A System-Dynamics Perspective. *Public Administration Review*, 62: 51-62.
- Hall, Richard H. (1972). *Organizations: Structure and Process*. Englewood Cliffs, N.J., Prentice-Hall.
- Hood, Christopher, and Guy Peters. (2004). The Middle Aging of New Public Management: Into the Age of Paradox? *Journal of Public Administration Research and Theory*, 14: 267-82.
- Julnes, Patria de Lancer., and Marc Holzer. (2001). Promoting the Utilization of Performance Measures in Public organizations: An Empirical Study of Factors Affecting Adoption and Implementation. *Public Administration Review*, 61: 693-708.
- Kettl, Donald F. (1993). Learning Organizations and Managing the Unknown. Paper presented at the Conference on Rethinking Public Personnel Systems, April 16–17, Washington, DC.
- Meyer Alan D., Goes James B., and Brooks Geoffrey R. (1992). *Organizations in Disequilibrium: Environmental Jolts and Industry Revolutions*, in George Huber and William H. Glick, eds., *Organizational Change and Redesign*. New York: Oxford University Press: 66-111.
- Perl, Raphael. (2004). The Department of Homeland Security: *Background and Challenges, Terrorism—reducing Vulnerabilities and Improving Responses, Committee on Counterterrorism Challenges for Russia and the United States*, Office for Central Europe and Eurasia Development, Security, and Cooperation Policy and Global Affairs, in Cooperation with the Russian Academy of Sciences, page 176. National Academies Press.
- Perry, James L. (1991). Strategies for Building Public Administration. *Research in Public Administration*, 1 (1), 1-18
- Rago, William V. (1996). Struggles in transformation: A study in TQM, leadership, and organizational culture in a government agency. *Public Administration Review* 56 (3): 227–34.
- Robbins, Stephen P. (2000). *Organizational Behavior*, 9th edition, Prentice-Hall, inc, New Jersey.
- Stevenson, H. H., and D. E. Gumpert. (1985). The heart of entrepreneurship. *Harvard Business Review*, March–April: 85–94.
- Thompson, James R., and Shelley L. Fulla. (2001). Effecting Change in a Reform Context: The National Performance Review and the Contingencies of 'Microlevel' Reform Implementation. *Public Performance and Management Review*, 25: 155-75.
- Van de Ven, A. H., & Poole, M. S. (1995). Explaining development and change in organizations. *Academy of Management Review*, 20(3), 510-540.
- Vasu, Michael L., Stewart Debra W., and Garson David G. (1998). *Organizational Behavior and Public Management*. Edition: 3. CRC Press.
- Wise, Charles R. (1990). Public Service Configurations and Public Organizations: Public Organization Design in the Post-Privatization Era. *Public Administration Review*, 50(2): 141–55.
- Wise, Charles R. (2002). Organizing for Homeland Security. *Public Administration Review*, 62 (2): 131-144.

1. International Symposium on Sustainable Development, June 9-10 2009, Sarajevo

Wise, Lois R. (2002). Public Management Reform: Competing Drivers of Change. *Public Administration Review*, 62 (5): 555-567.

http://books.nap.edu/openbook.php?record_id=10968&page=179

http://www.dhs.gov/xlibrary/assets/nat_strat_hls.pdf

<http://www.dhs.gov/xlibrary/assets/dhs-org-chart-2003.pdf>

http://www.dhs.gov/xabout/history/editorial_0133.shtm

<http://www.irs.gov/efile/index.html?portlet=4>

<http://www.turkstat.gov.tr/UstMenu.do?metod=tarihce>

<http://www3.interscience.wiley.com/search/allsearch?mode=quicksearch&products=journal&WISsearch2=1540-6210&WISindexid2=issn&contentTitle=Public+Administration+Review&contextLink=blah&contentOID=118484994&WISsearch1=charles+r.+wise&WISindexid1=WISauthor&articleGo.x=13&articleGo.y=7>

<http://www3.interscience.wiley.com/cgi-bin/fulltext/118944767/PDFSTART>