

**REORGANIZATION AND THE U.S. COAST GUARD:
A STUDY IN DECISION-MAKING**

by

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Submitted to the Sloan School of Management in Partial Fulfillment
of the Requirements for the Degree of

Master of Business Administration
at the
Massachusetts Institute of Technology
June, 2000

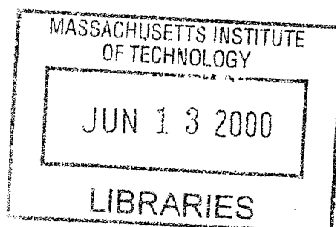
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ABSTRACT

The trend within organizations over the last fifteen years has been to decentralize, empower subordinates, and eliminate management layers. This has sometimes been called the “new” organization. Since 1986, the Coast Guard has conducted three reorganizations. Yet, the result of these reorganizations has been greater centralization, less empowerment for District Commanders, and an additional layer of management at Coast Guard Headquarters. This thesis explores why the Coast Guard—widely considered to be one of the “best” federal agencies—has bucked these “new” organization trends. The focus on this thesis is on the decision-making process. I examine two decisions to evaluate their success: (1) shifting support responsibilities from the field commander to a regional support and logistics command, and (2), adding a layer of management at Coast Guard Headquarters. Finally, I offer seven broad recommendations for how the Coast Guard should conduct its next reorganization effort.

I offer three possible explanations for the Coast Guard’s increased centralization. First, the Coast Guard is less centralized than recent reorganizations may indicate. Second, to meet dramatic budgetary reductions, the Coast Guard must reduce the number of personnel due to the relatively high percentage of its operating budget dedicated to personnel-related expenses. The Coast Guard used centralization and consolidations to achieve this. Third, the Coast Guard—unlike a private sector organization—is forced to look primarily at *efficiency* measures when faced with budgetary difficulties. The Coast Guard has used centralization as a means to become more efficient. The Coast Guard added a layer of management at Headquarters in an effort to force decision-making lower within the Headquarters organizational structure. Often, adding a layer of management is viewed as forcing decision-making *higher* within an organization. The Coast Guard viewed it as means to push decision-making *lower*.

The results of shifting support from the District Commanders to the regional support commands has been mixed. Naval, electronic, and civil engineering support delivery is widely viewed as being superior to the previous decentralized system. The decentralization approach appeared to work better for personnel, housing, medical, and administrative support. However, it is possible that the reduced level of resources and not the organizational structure is why this latter group is not working as well under a centralized system. The current Headquarters organization can work effectively if staffs are resourced appropriately and if decision-making authority is delegated.

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ACKNOWLEDGEMENTS

I am indebted to a number of people. First, I want to thank the twenty-six individuals who agreed to be interviewed for this thesis. They were very gracious with their time, provided superb insights, and spoke with both candor and passion about the Coast Guard. I could not have done this thesis without the information they gave me during the interviews. The interviews were the highlight of this thesis.

I want to thank Mr. Jeffrey High, Captain Roger Peoples, and Ms. Christy Hoins from Coast Guard Headquarters for the background information they provided me on the various reorganization efforts.

Several individuals agreed to review this manuscript while it was in draft form. I greatly appreciate the time these readers gave to reviewing this thesis as well as their comments and suggestions for improvements. This thesis was significantly improved by their contributions. Any remaining errors are mine alone.

Finally, I want to thank my thesis supervisor—Professor John Van Maanen—for his thoughtful and patient assistance with this thesis. John gave me tremendous encouragement, timely feedback, and his suggestions were always on the mark. I am truly appreciative of the time he spent helping me with this thesis.

To Romaine, Andrew, Audrey, Catherine, and Grace

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CHAPTER ONE

Introduction, Methodology, and Coast Guard Overview

Introduction

Decentralize. Empower subordinates. Eliminate management layers. These are the new mantras of the management literature. Over ten years ago, Peter Drucker (1988) argued that the organizations of future would be flatter. Frank Ostroff (1999) said that the “vertical hierarchy is... no longer capable of meeting all the different needs of business.” Others claimed, “a centralized organization is possibly less responsive to customers’ demands” (Moon, 1999). Zenger and Hesterly (1997) stated that “reflecting a decline in hierarchy, managerial spans of control have expanded and entire layers of hierarchy have been removed.” In early 2000, AT&T Corporation announced plans to reduce twenty-five percent of its most senior executives and reduce “some of the layers of management that have helped tag AT&T with a reputation as a slow-moving bureaucracy” (Blumenstein, 2000).

The trend seems clear. Less hierarchy. Larger spans of control. Power and responsibility being pushed down to lower levels within an organization. Clearly, the days of centralized bureaucracies and multi-layered hierarchies seem numbered.

Maybe.

In 1987 the United States Coast Guard decided to centralize maintenance and logistic support—the result was that ten regional field commanders were *dis-empowered*. In 1995, the Coast Guard decided to *increase* the number of management layers at its Headquarters in Washington D.C.

What happened? Why was the Coast Guard centralizing functions while other organizations were decentralizing? Why was the Coast Guard adding a layer of

management while other organizations were reducing hierarchical layers? Was the Coast Guard out of step? Or, did the Coast Guard see something that other organizations did not? These questions intrigued me.¹

During the 1999 fall semester of the MIT Sloan Fellows program, I became increasingly interested in the trends that were occurring in organizational structure. The prevailing literature seemed to indicate that there was an ongoing shift from the “old” organization to the “new” organization. The “old” organization was hierarchical, centralized, and slow to respond to changing circumstances—the “new” organization was decentralized, flat, and flexible (Ancona, et. al, 1999: 5). The companies that would succeed in the 21st century would be those that adapted to the “new” organizational models.

Yet, I was curious why the Coast Guard appeared—at least on the surface—to be going in the opposite direction. Since 1986 the Coast Guard had conducted three major reorganization studies. The result of these efforts has been the centralization—or more accurately, the consolidation—of support functions into two locations. This effectively dis-empowered the operational field commanders—called District Commanders. In addition, the Coast Guard added a layer of management at its Headquarters to reduce the span of control of the Chief of Staff during its most recent reorganization efforts. This was not the stuff of a “new” organization. A “new” organization decentralizes. A “new” organization reduces the number of hierarchical layers of management. A “new” organization increases managerial spans of control.

As I explored these questions further, I became increasingly interested in the decision making process the Coast Guard used during these three reorganization studies. That is, I wanted to understand how the Coast Guard arrived at these decisions. *How were decisions made during these three reorganizations? How did the decision making process differ between these three reorganizations? Did these differences impact the eventual decisions? Looking forward, what can the Coast Guard learn from the decision making process used in these three reorganizations for any future reorganization efforts?*

Why this topic for my thesis? Researching and writing a thesis is not a small undertaking. To select a topic that is not inspiring to the writer—or others—would be unfortunate. I was lucky. This topic fascinated me. In addition, I found widespread interest in this topic among those I interviewed for this thesis as well as those who helped me obtain information.

Merely because one becomes “intrigued” with an issue does not mean a thesis should be undertaken. There are four basic reasons I selected this topic. First, I was interested in the Coast Guard’s decisions to go against the organizational trends of decentralization, empowerment, and reducing hierarchical management layers. Second, I viewed it as a tremendous opportunity to learn more about the Coast Guard’s organization. Third—and unashamedly—I wanted to use this thesis as the “raison d’être” for requesting interviews with some of the most senior officers and civilians within the Coast Guard. I thought that listening to the various viewpoints and perspectives on this subject from those who were either members of the study teams or involved in the decision making process would be fascinating. The interviews did not disappoint. Finally, I wanted to write a thesis that may help others to better understand the Gilbert I, Gilbert II, and Streamlining 94-95 reorganizations as well as offer recommendations for future reorganization efforts. There does not exist—to the best of my knowledge—a comprehensive document that discusses the decision making process used during these three reorganizations. I hope this thesis fills this void. In addition, when the Coast Guard decides to conduct its next reorganization study—and it will, it’s inevitable—I hope this thesis will serve as a historical documentation of previous reorganizations as well as suggestions for the future efforts.

Before continuing, however, it is necessary to detour and clarify a bit of nomenclature. The first Coast Guard reorganization—conducted in 1986-87—was titled the Realignment of Support and Management Functions in the United States Coast Guard. The second reorganization—conducted the following year—was called the Headquarters Realignment Study. Both reorganization efforts were directed by Rear Admiral Gilbert and are commonly referred to in the Coast Guard as Gilbert I and Gilbert II. Throughout

this thesis, I will use Gilbert I and Gilbert II when referring to these two reorganizations. The third reorganization was conducted in 1994-95. For this effort, two reorganization teams were chartered. The first team looked at streamlining the Coast Guard's field organization as well as Coast Guard Headquarters. The second team examined the Coast Guard's training infrastructure. Eventually, these efforts merged and became known within the Coast Guard as "Streamlining". For purposes of this paper, I will refer to these two studies as Streamlining 94-95.

As we will see in later chapters, these three reorganizations were very different from one another. Gilbert I was a *top-down* approach to reorganizing—the Commandant had essentially decided what he wanted to do before chartering the reorganization team.² Gilbert II was an *open-ended* reorganization effort—the reorganization team was given wide latitude to develop a new organizational structure. Streamlining 94-95 was primarily a *downsizing* activity—the objective was to realize major savings through reorganizing.³

Aims. My goal in this thesis is threefold. First, I will look at how decisions were made. That is, I will explore and compare the decision-making process used during the Gilbert I, Gilbert II, and Streamlining 94-95 reorganizations. While the focus will be on *how* decisions were made, it is impossible to do so without also discussing *what* was decided. As such, I will also look at the major decisions that resulted from the Gilbert I, Gilbert II, and Streamlining 94-95 reorganizations. Chapters Three, Four, and Five will explore these issues. These chapters are primarily descriptive in nature. They are based on Coast Guard reports and correspondence as well as interviews I conducted during my research.

Second, I will explore *why* the Coast Guard has appeared to "buck" two recent organizational trends. I will look at the Coast Guard's decision to centralize support functions—thus effectively dis-empowering the ten regional field commanders (District Commanders)—and the decision to add a layer of management at Coast Guard Headquarters. These issues will be discussed in Chapter Six.

Third, I want to look to the future. Building on the “lessons-learned” from these three reorganizations, I want to suggest recommendations for how the Coast Guard should conduct the “next” reorganization effort. These recommendations are included in Chapter Six.

This thesis is not intended to propose a “new” Coast Guard organization—that is beyond the scope of this effort. Nor will I offer a critique of the specific decisions reached during the Gilbert I, Gilbert II, and Streamlining 94-95 reorganizations, although I will scrutinize and suggest changes in the reorganization process itself.

Methodology

I used a three-pronged approach to researching this topic. First, I completed a cursory survey of the organization theory literature. Next, I conducted a comprehensive review of Coast Guard reports and correspondence regarding Gilbert I, Gilbert II, and Streamlining94-95. Finally, I interviewed twenty-six Coast Guard officers and senior civilians.

The literature review was necessarily limited in scope. I opted to review selected works from the various schools of organizational thought. These included readings from the *Classical*, *Neo-Classical*, *Human Resources*, *Structural*, and *Organizational Culture* schools of organizational theory.⁴ My goal with this literature review was to gain a basic understanding of the evolution of organizational thinking. The field of organization theory is enormous and includes contributions from a multitude of disciplines including sociology, psychology, political science, economics, public administration, and philosophy. I did not include many so-called “pop” management books that have been published over the last ten-fifteen years. While I reviewed some of these, I read mostly in the academic research-based literature. Chapter Two contains the literature review. A bibliography is included at the end of this thesis.

I also conducted a comprehensive review of the various Coast Guard reports and correspondence associated with the Gilbert I, Gilbert II, and Streamlining 94-95 reorganization efforts. In addition, I read the Zumstein Study—a Coast Guard Headquarters organization study completed in 1978—named after the Rear Admiral who led the effort. The Zumstein Study could arguably be considered the template for the current Coast Guard Headquarters organization—although some of the individuals interviewed for this thesis would not agree with this assertion. The Zumstein Study will be discussed in greater detail in Chapter Four during the review of the Gilbert II reorganization.

The final part of my research included interviewing Coast Guard personnel. This was the most interesting and informative part of the research effort. I asked twenty-eight individuals to be interviewed for this project—twenty-six agreed. The individuals who were interviewed had either been involved in the study groups or had been involved in the decision making process. Many of those interviewed also had served in key positions immediately following one of the reorganizations and I was able to ask about their views on the two decisions I wanted to explore—the centralization of support functions and the addition of an another layer of management at Coast Guard Headquarters.

The shortest interview was forty-five minutes. Most interviews lasted between one and two hours and a few interviews ran as long as three hours. My preference was to conduct face-to-face interviews wherever possible. I was able to do this for eighteen of the interviews. Due to schedules or distance, I used telephone interviews for the remaining eight interviews. The interviews were all *qualitative* in nature. A *qualitative* interview is designed to look for “patterns of interrelationships between many categories rather than the sharply delineated relationship between a limited set of them” (McCracken, 1988: 16). The objective was not to determine “how many and what kinds of people share a certain characteristic,” rather, it “is the categories and assumptions (themselves)... that matter” (McCracken, 1988: 8). Essentially, I was interested in gaining perspectives and views, not in a mere recitation of facts.

The interviews were relatively unstructured. There were some topics and themes I wanted to explore, but, in general, I tried to let the conversation flow. The themes and questions for each interviewee depended on which Coast Guard reorganization they were involved with as well as their specific role (i.e., reorganization team member, decision-maker, etc.). The individuals who were interviewed are listed in Appendix A. To encourage open responses, I told each interviewee that I would not attribute to any source quotes that might appear in this thesis. Interestingly, several interviewees told me I should feel free to quote and attribute anything they said. However, in the interests of consistency, I have opted to retain the policy of non-attribution. The interviews were not tape-recorded. Rather, I took notes during the sessions. While I believe the quotes used in this thesis are correct, it is possible that I did not capture the exact phraseology while making my notes. If so, the error is mine. In any event, the essence of what is being quoted is as accurate as memory and ear allow.

I interviewed three different groups of people—those who were involved in the decision-making process, the leaders of the reorganization teams, and members who served on the reorganization teams. The interviewees were generally senior officers or civilians. The Commandant of the Coast Guard during the period of the Gilbert I and Gilbert II reorganizations was interviewed. Also, the study team leaders for all three organizations were interviewed as well study team members from each reorganization. In addition, several admirals and senior civilians who participated in the discussions and deliberations were interviewed. I was unable to interview the Commandant of the Coast Guard for the period when the Streamlining 94-95 study was being conducted.

Coast Guard Overview

Before examining the reorganizations, a brief look at Coast Guard history, current missions, and organizational structure is appropriate. This section is an overview and can be skipped by those readers who are familiar with the Coast Guard.

History and Missions

The forerunner of the U.S. Coast Guard—the Revenue Cutter Service—was founded on August 4, 1790 to assist the new nation collect tariffs. At the request of the Secretary of the Treasury, the U.S. Congress appropriated funds for ten revenue cutters to stop smugglers who were evading the payment of tariffs—a needed source of funds for a new nation that had an \$80 million debt from the Revolutionary War. In 1848 the Life-Saving Service was established by the U.S. Congress to establish rescue stations along the east coast. On January 28, 1915 the Revenue Cutter Service and the Life-Saving Service merged and were renamed the U.S. Coast Guard (High, 1998: 2). This merger combined the *law enforcement* mission of the Revenue Cutter Service with the humanitarian—or *search-and-rescue*—mission of the Life-Saving Service.

In 1789—a year before the Revenue Cutter Service had been established—the U.S. Congress passed a law directing the Secretary of the Treasury to improve and enhance maritime navigation safety through a system of buoys, beacons, and lighthouses. Thus, the Lighthouse Service was born. In 1939 the Lighthouse Service merged with the U.S. Coast Guard. This added another mission to the Coast Guard. In addition to the law enforcement and search-and-rescue missions, the Coast Guard was now also responsible for *aids-to-navigations*. The Coast Guard was increasingly becoming a multi-mission service.

In 1838, in response to a number of tragic and fatal accidents on steamboats, the U.S. Congress enacted a law requiring minimum safety equipment and regular inspection of steam vessels. This new agency became the Steamboat Inspection Service (USCG, 1976: 4). In February 1942 the Steamboat Inspection Service—by then renamed the Bureau of Marine Inspection and Navigation—was merged with the U.S. Coast Guard (USCG, 1976: 10). This merger added a major regulatory function to the Coast Guard's varied missions. These new responsibilities included *vessel inspections*, *vessel documentation*, and the issuance of *merchant mariner licenses*. Within the Coast Guard, these missions are commonly referred to as the *marine safety* program.

In addition to the aforementioned missions, the Coast Guard also has a national defense role. U.S. law states that during time of war, the Coast Guard becomes part of the Department of Navy. During World War I and World War II, the Coast Guard came under the U.S. Navy. Coast Guard personnel also served in the Korean Conflict, the Vietnam Conflict, and during the more recent Persian Gulf War of 1990. This national defense role is more commonly called *defense readiness*.

Recent legislative mandates have dramatically increased the scope of Coast Guard missions. In 1977 a 200-mile Fisheries Conservation Zone—later renamed the Exclusive Economic Zone—was established (High, 1998: 4). This greatly expanded the Coast Guard's law enforcement responsibilities. The early 1970's saw increased concern for protecting the environment—the result was a significant increase in the Coast Guard's *marine environmental protection* program. The late 1970's and early 1980's saw a dramatic rise in efforts to smuggle illegal drugs into this country—particularly in the Caribbean region. This has resulted in a major build-up of resources and assets to stem this tide. Over the last twenty years the Coast Guard has seen an increase in the number of illegal aliens seeking to enter this country by boat—again, the result has been an increase in the Coast Guard's law enforcement role of stopping illegal migrants from entering this country.

Today, the Coast Guard has eight “official” missions. These are: search-and-rescue, marine safety, marine environmental protection, domestic fisheries and marine sanctuaries enforcement, aids-to-navigation, ice-breaking operations, enforcement of laws and treaties, and defense readiness (USCG, 2000).

Organizational Structure

The Coast Guard is a armed service with approximately 36,400 active-duty military personnel 6,250 civilians, 7,950 reservists, and more than 34,000 Auxiliarists (USCG, 2000: 29).⁵ The Revenue Cutter Service—the Coast Guard's predecessor—was part of

the Treasury Department from its inception. In 1967 the Coast Guard was transferred from the Treasury Department to the newly created Department of Transportation.

To oversee operations, the Coast Guard has two Areas and nine Districts. The Atlantic Area Commander—a Vice Admiral—is responsible for all operations along the Atlantic coast, the Caribbean region, the Gulf of Mexico, and the Great Lakes. Within this region, there are five subordinate Districts that report to the Atlantic Area Commander. These Districts are located in Boston, MA; Portsmouth, VA, Miami, FL, New Orleans, LA, and Cleveland, OH. The Atlantic Area Commander is double-hatted as the Portsmouth, VA District Commander. All other District Commanders are Rear Admirals.

The Pacific Area Commander—also a Vice Admiral—is responsible for all operations in the Pacific Ocean including the Gulf of Alaska and the Bering Sea. Within the Pacific Area region there are four District Commanders located in Alameda, CA; Seattle, WA; Honolulu, HI; and Juneau, AK. The Pacific Area Commander is double-hatted as the Alameda, CA District Commander—all other District Commanders are Rear Admirals.

Within each District there are a multitude of operational units including small boat stations, aids-to-navigation teams, patrol boats, buoy tenders, construction-tenders, air stations, and marine safety offices. All of these units report to the District Commander. Larger units—such as Medium Endurance Cutters, High Endurance Cutters, and Polar Class icebreakers as well as large air stations—work directly for the Area Commander.

Coast Guard Districts use a numeric labeling convention. For example, the Coast Guard District located in Boston, MA is called the First Coast Guard District. Prior to 1986, the Coast Guard had twelve Districts. In addition to the previously mentioned Districts, there were District offices in New York City, San Francisco, and St. Louis. These three Districts were eliminated during the Gilbert I and Streamlining 94-95 reorganizations (Chapters Three and Five respectively).

To coordinate maintenance, support, and logistics, the Coast Guard has two Maintenance and Logistics Commands (MLC's)—one on the east coast and one on the west coast. A Rear Admiral heads these MLC's who report directly to the respective Area Commander. These Maintenance and Logistics Commands were created during the Gilbert I reorganization. Exhibit (2) lists the Coast Guard Areas, Districts, and MLC's.

Coast Guard Headquarters is located in Washington D.C. Its primary functions are to provide policy guidance for the operational commands, obtain resources through the congressional appropriation process, recommend new laws and regulations, and liaison with the various governmental entities.

Footnotes for Chapter One

¹ Decentralizing and delayering often occur simultaneously, but not always. My interest is in looking at these two separate decisions—I am not implying there is a casual relationship between the two.

² The Commandant is a four-star Admiral who could be considered the Coast Guard's Chief Executive Officer. This individual reports to the Secretary of Transportation and usually serves a four-year term.

³ As to be discussed in later chapters, not everyone I interviewed for this thesis would agree with the characterization of Streamlining 94-95 as a *downsizing* activity. Some considered it an opportunity to examine Coast Guard processes. However, the vast majority of those interviewed for this thesis believed it was primarily a downsizing exercise.

⁴ Different authors classify the various schools of organization theory differently. I used the nomenclature and terminology used in the *Classics of Organization Theory* (Jay Schwartz and J. Ott, (eds.), 1996).

⁵ Coast Guard Auxiliarists are volunteers who assist the Coast Guard in the performance of missions. Their primary assistance is in boater education, courtesy marine examinations, and search and rescue.

CHAPTER TWO

Organization Theory Literature Review

Introduction

The literature on organizational theory is extensive. A comprehensive review would be a monumental undertaking—this review will be necessarily focused on the literature that is applicable to organizational structure.

Organizational issues have been a concern for centuries. Petronius, in 66 AD, reportedly said:

We trained hard... but every time we were beginning to form into teams, we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing... and a wonderful method it can be for creating the illusion of progress while producing inefficiency and demoralization.¹

Others have shared Petronius's disdain for organization. In the 19th century, Honore de Balzac said "Bureaucracy is a giant mechanism operated by pygmies." Nicholas I, said "I do not rule Russia; ten thousand clerks do."²

This chapter will review the various schools of organizational theory as they pertain to my interests with organizational design and structure.

Classical School

While it is arguable where one should begin a review of the organization theory literature, I will start with Adam Smith. Best known for his 1776 book, *An Inquiry into the Nature and Causes of the Wealth and Poverty of Nations*, Smith was a Scottish economist who many consider to be the founder of modern economics (Mankiw, 1997: 54). His writings, however, also influenced organizational thinking. Smith believed in the notion of *comparative advantage*—the view that countries should specialize in those economic activities where they have the lowest opportunity cost.

It is a short theoretical walk from the principle of *comparative advantage* to the concept of the *division of labor*. Indeed, the first chapter of the *Wealth and Poverty of Nations* is titled “Of the Division of Labour”. Smith argued that “the greatest improvement in the productive powers of labour... seem to have been the effects of the division of labour.” In addition, Smith postulated that the “division of labour... so far as it can be introduced, occasions... in every art, a proportionable increase in the productive powers of labour” (Smith, 1776 in Shafritz and Ott (eds.), 1996: 40-41)

Smith’s classic example was a pin factory. He claimed that if each worker tried to build an entire pin by himself, he or she might be able to make 20 pins a day. However, if the labor were divided among the workers, productivity would increase substantially. For example, if one worker drew the wire, another straightened it, the next one cut it, and so on—then 10 workers could make 48,000 pins a day. Through this division of labor, 10 employees could increase their productivity from 200 pins a day to 48,000 pins a day.

Smith changed the way economics—and organizations—were viewed. Writing in 1776 at the dawn of the Industrial Revolution, his writings laid the theoretical foundation for the factory system. Adam Smith’s contributions are considered by some to be the starting point for organization theory as a field of study and as an academic discipline (Shafritz & Ott, 1996: 32).

In the early 20th century, Frederick Winslow Taylor expanded on the ideas of Adam Smith. Taylor—an American engineer—believed that work tasks should be scientifically analyzed to ensure they were performed using the “fastest, most efficient, and least fatiguing production methods” (Ibid: 34). Using his famous time-and-motion studies, Taylor argued that there was “one best way” to get work accomplished. Using these methods—commonly called *scientific management* or *Taylorism*—he argued that factories could “increase the efficiency and speed of machine-shop production” (Ibid).

Taylor's four "principles of scientific management" were:

"(1) gathering together... the great mass of... knowledge which, in the past, has been in the heads of the workmen, recording it, tabulating it, reducing it... to rules, laws, and in many cases to mathematical formulae, which... are applied to... the management of work... (2) scientific selection of the workman and then his progressive development... (3) bringing together of this science... and the trained workmen... (4) re-division of work... under the old scheme of management, almost all of the work was done by workmen. Under the new (organization)... management... (will) do a division of the work previously done by the workmen" (Taylor, 1916 in Shafritz and Ott (eds.), 1996: 71-72).

Taylor brought a new rigor and analytical perspective to organizational planning. Management had new responsibilities. Under scientific management, the managers were expected to know how to organize work, ensure it was done in the most efficient manner possible, and completed within a set period of time. While this may seem fairly self-evident today—this was a new way of thinking at the time. Taylor's legacy has been significant—many of his concepts and ideas are still in use today (Shafritz & Ott, 1996: 35).

While Taylor had built on Smith's concept of labor specialization, his contributions were primarily focused on organizing work processes. Henri Fayol—a French engineer who wrote around the same time as Taylor—offered a more comprehensive management theory. Fayol did not limit himself to labor specialization or to the analysis of work processes. Rather, Fayol wrote more generally about organizations. Fayol's writings were initially ignored in the United States as his major contribution *Administration Industrielle et Generale*—published in France in 1916—was not translated into English until 1949 under the title of *General and Industrial Management* (Ibid: 33).

Fayol put forth fourteen principles of management: 1- division of work, 2- authority and responsibility, 3- discipline, 4- unity of command, 5- unity of direction, 6- subordination of individual interest to the general interest, 7- remuneration of personnel, 8- centralization, 9- scalar chain (line of authority), 10- order, 11- equity, 12- stability of

tenure of personnel, 13-initiative, and 14- esprit de corps (Fayol, 1916 in Shafritz and Ott (eds.), 1996: 52).

Writing on the need for *unity of command*, Fayol wrote, “an employee should receive orders from one superior only” (Ibid: 55). He also advocated having clear *lines of authority* (scalar chain) within an organization. However, he recognized that blind allegiance to a *scalar chain* could result in gridlock within an organization. He wrote “it is an error to depart needlessly from the line of authority, but it is an even greater one to keep to it when detriment to the business ensues” (Ibid: 25).

Fayol believed that *centralization* was “not a system of management good or bad of itself... the question (is) of proportion... finding the optimum degree for the particular concern... the degree of centralization must vary according to the different cases” (Ibid: 60). Still discussing *centralization*, he writes, “everything which goes to increase the importance of the subordinate’s role is decentralization, everything which goes to reduce it is centralization” (Ibid: 60-61). Fayol indicates that the correct level of centralization within an organization depends on the subordinate’s role. That is, the question is not whether to centralize or decentralize—rather, to determine what role the subordinates should have and then align the organization accordingly. I will return to the issues of *unity of command*, *scalar chain*, and *centralization* during the discussion of the Gilbert I, Gilbert II, and Streamlining 94-95 reorganizations.

Max Weber—another early 20th century writer—was a German sociologist who also studied organizations. Weber believed in the “rationale virtues of bureaucracy which included formal authority based on precise and generalized rules and procedures” (Hatch, 1997: 32). While Weber considered bureaucracies an essential societal element, he was also cognizant of the potential harm they could cause (Shafritz & Ott, 1996: 35-36). He viewed bureaucracies as a way to rationalize the social environment. However, Weber differentiated between forms of rationality. *Formal rationality* involved calculation techniques while *substantive rationality* referred to the choice of a desired end state—a matter beyond calculation. Weber “warned that the formal rationality without conscious

consideration of substantive rationality leads... to an iron cage capable of imprisoning humanity and making man a cog in an ever-moving mechanism” (Hatch, 1997: 33).

Critics of organizations express these concerns today.

Luther Gulick—building on the work of Fayol—made two major contributions to the field of organization theory. First, he captured the “state-of-the-art” thinking with his 1937 article *Notes on the Theory of Organization* (Shafritz & Ott, 1996: 36). Second, his description of the functions of an executive—planning, organizing, staffing, directing, coordinating, reporting and budgeting (POSDCORB) expanded the study of organization theory by analyzing the manager’s functions (Gulick, 1937 in Shafritz and Ott (eds.), 1996: 94).

The period from Adam Smith to the 1930’s and 1940’s encompasses the classical period of organization theory. The fundamental tenets of the classicists were:

- 1- organizations exist to accomplish production or economic goals,
- 2- there is one best way to organize—it can be determined through systematic, scientific inquiry,
- 3- productivity is maximized through the specialization and division of labor,
- 4- people and organizations act in accordance with rationale economic principles (Shafritz & Ott, 1996: 31).

Many organizational theorists hold these views today. The classicists’ contributions were significant and long lasting. Today, their views may be considered simplistic. Yet the classicists laid the foundation for the future study of organizations—subsequent schools of organization theory built upon the ideas and principles put forth by the classicists. Also, when reviewing the classical perspective, one must recall that the times were different than today—workers “were viewed not as individuals but as interchangeable parts in an industrial machine whose parts were made of flesh only when it was impractical to make them of steel” (Ibid: 31).

Neo-Classical School

The *classical school* was based on intellectual thought—not empirical research. Neo-classicists attempted to put more “science” into organization theory. In addition, they questioned some of the classicists’ assumptions about organizations. While the neo-classicists “attacked” the classicists’ perspective, their real aim was “to save classical theory by introducing modifications based upon research findings in the behavioral sciences” (Ibid: 96). Neo-classicists tried to deepen the understanding of organizations. The *neo-classical school* had limited impact and was not able to “overthrow” the prevailing classicist thinking. However, it was the first effort to challenge the classicists and it planted the seeds that arose in later schools of organization theory.

Herbert Simon was one of the more prominent neo-classicists. He launched a scathing attack on the *classical school* with his 1946 *Public Administration Review* article titled “The Proverbs of Administration” and his 1947 book *Administrative Behavior*. Simon contended that the arguments put forth by the classicists were inconsistent. *Unity of command* and *labor specialization* were contradictory. Writing in *Administrative Behavior*, Simon said: “The principle of unity of command... is incompatible with the principle of specialization” (Simon, 1947: 23). The specialist has more technical expertise than his supervisor who supervises a broader range of skills. Therefore, if the worker requires direction, how can his or her supervisor—with less technical specialization—be able to direct the worker? The specialist—the worker—knows more than the supervisor. Yet, following the *unity of command* principle, this worker should only receive direction from one person—the supervisor—who would necessarily know less than the worker. Simon considered this implausible.

Simon also argued that *labor specialization* was not as simple as Fayol, Gulick, and others believed. The classicists argued that productivity or efficiency increases with *labor specialization*. However, Simon questioned whether all specialization resulted in greater productivity. In addition, Simon pointed out there were different ways to specialize—either by location or by function. Simon wrote: “The real problem of

administration, then, is not to “specialize,” but to specialize in that particular manner... which will lead to administrative efficiency” (Simon, 1947: 22). Specialization by itself was not the answer. The real question was how to specialize. This issue was central during the Gilbert I reorganization as Coast Guard leaders debated whether to organize naval engineering support by location or function.

Simon contended that the principle of a limiting the manager’s *span-of-control* was inconsistent with administrative efficiency. He wrote:

“The dilemma is this: in a large organization... a restricted span of control inevitably produces red tape, for each contact between organization members must be carried upward until a common supervisor is found... the alternative is to increase the number of persons who are under the command of each officer... but this, too leads to difficulty, for if the officer is required to supervise too many employees, his control over them is weakened... what is the optimum point? The (classicist) principle as stated casts no light on this very crucial question” (Simon, 1947: 28).

The classicists believed that workers should be grouped according to *purpose, process, clientele, and place*. Simon contended this was contradictory. Discussing a city government, he wrote:

“If the major departments, for example, are organized on the basis of major purpose (my emphasis), then it follows that all the physicians, all the lawyers, all the engineers... will not be located a single department exclusively composed of members of their profession but will be distributed among the various city departments needing their services. The advantages of organization by process will thereby be partly lost” (Simon, 1946 in Shafritz and Ott (eds.), 1996: 116-117).

Simon exposed the simplicity of the classicist viewpoint. At the same time, he demonstrated the need for more analysis—and rigor—in the fledging field of organization theory. He wrote: “What is needed is empirical research and experimentation to determine the relative desirability of alternative administrative arrangements” (Simon, 1947: 42). Simon believed it was time to move beyond the mere intellectual musings of the classicists and develop an analytical foundation for understanding organizations.

Human Resources School

The advocates of the *human resources school*, flowering in the 1950's and 1960's, argue that organizations cannot be understood without also understanding the people in the organization. Unlike the classical and neo-classical schools, human resources theorists place its emphasis on human needs rather than organizational. The basic assumptions of the *human resources school* are:

- 1- Organizations exist to meet human needs;
- 2- People and organizations need each other;
- 3- If the "fit" between an organization and an individual is poor, then one or both will suffer;
- 4- If the "fit" between an organization and an individual is good, then both benefit (Shafritz & Ott, 1996: 150).

The origin of the human resources school reaches back to a series of experiments conducted by Harvard-based field researchers at the Western Electric Hawthorne plant during the late 1920's and early 1930's. A research team—led by Elton Mayo—was trying to increase productivity at the plant. To achieve this, they examined alternate wage plans, material flow, and the amount of light on the shop floor (Ibid: 150). The research team—using a scientific management approach—expected that productivity would decrease as the amount of light was reduced. In fact, worker productivity continued increasing as the light levels were reduced—even to near darkness. The researchers were confounded by this result until they realized that “workers had interpreted... the attention the researchers had lavished upon them, as managerial concern for and interest in their work” (Hatch, 1997: 241). This finding resulted in the research team further exploring the social and behavioral effects on worker performance. The Hawthorne experiments sparked a realization that worker productivity was much more complex than designing the “right” organizational structure or having the “one best way” to perform a task. Rather, that “complex, interactional variables make the difference in motivating people” (Shafritz & Ott, 1996: 150-151).

A great deal of human resource thinking is based on Abraham Maslow's theory of human motivation. Maslow wrote: "Human needs arrange themselves in hierarchies of prepotency... the appearance of one need usually rests on the prior satisfaction of another, more pre-potent need" (Maslow, 1943 in Shafritz and Ott (eds.), 1996: 163). These *needs*, in order, were physiological, safety, love, esteem, and self-actualization (Ibid: 173). While his writings are well known, few empirical studies have supported his theory. In addition, several "modified" hierarchical-need pyramids have been presented since Maslow's that have better withstood the challenge of empirical analysis (Shafritz & Ott, 1996: 152). Nonetheless, "Maslow's hierarchy" occupies a special place in organization theory and is generally considered a starting point for examining human motivation.

In the late 1950's, issues of human behavior began to dominate the field of organization theory. Douglas McGregor (1957) explored how managerial assumptions became self-fulfilling prophecies. McGregor postulated that the "traditional organization, with its highly specialized jobs, centralized decision making, and top down communications, was not simply a product of economic necessity but rather a reflection of certain basic assumptions about human nature" (Dessler, 1986: 52). He called this assumption Theory X. This theory assumed that "most people dislike work and responsibility and prefer to be directed... (that) people are motivated by... financial incentives... (and) therefore most people must be closely supervised, controlled, and coerced into achieving organizational objectives" (Ibid: 52). These assumptions—Theory X—resulted in organizations with centralized bureaucracies and specialized labor in which managers distrusted workers.

McGregor did not believe that all managers possessed a Theory X mindset. Rather, he postulated an alternative theory—Theory Y—that said "if the conditions were favorable... people are motivated by the desire to do a good job and by the opportunity to affiliate with their peers, rather than simply by financial rewards" (Ibid: 53). The key was whether the "conditions were favorable"—thus presenting a challenge to managers to create an organizational environment whereby employees would be motivated by

something besides coercion or financial gain. McGregor believed that “under proper conditions, unimagined resources of creative human energy could become available within the organizational setting” (McGregor, 1957 in Shafritz and Ott (eds.), 1996: 176).

The *human resources school* brought a new perspective to understanding organizations. Rather than viewing organizations as inanimate objects that could be dispassionately analyzed, the *human resources school* emphasized that: “The organization must be seen as the context in which behavior occurs. It is both an independent and dependent variable” (Shafritz & Ott, 1996: 151). If the goal was to change the processes or outcomes of an organization—employee behaviors must be considered. Merely changing the organization chart for a company was unlikely to achieve the desired results without also taking into account worker’ needs, desires, and abilities. The *human resources school* moved the field of organization theory beyond the simplistic *classical school* or the analytical *neo-classical school*. Organization theory was becoming more divergent and complicated.

Structural School

The “*modern*” *structural school* is similar to the *classical school*. The word “*modern*” is sometimes used to differentiate structural theorists of the 1960’s and 1970’s from the pre-World War II *classical school* structuralists (Shafritz & Ott, 1996: 203). The basic assumptions of the “*modern*” *structural school* are:

- 1- Organizations are rational institutions designed to achieve established objectives;
- 2- There is a “best” structure for any organization;
- 3- Labor specialization and division of work increase the quality and quantity of production—particularly in high-skilled operations and professions;
- 4- Most organizational problems exist because of structural flaws and can be fixed through structural changes (Ibid: 203-204).

These are very similar to the assumptions of the *classical school*. However, the modern structural school was more flexible—contingent—than the classical

school. Some structuralists believed a “new” organization would replace the “old” bureaucratic organizations. Warren Bennis, in his 1966 book *Changing Organizations*, predicted organizations—in their 1966 form—would cease to exist because they could not adapt to the rapidly changing environment. Peter Drucker (1988) believed that organizations would become flatter, more information-based, and task and mission focused. Bennis and Drucker believed that the “old” bureaucratic organizations could not adapt to the changing conditions and needs of the modern-day organization—particularly given increasing complexity of the external environment.

Not all structuralists argued that “new” organizations needed to replace “old” bureaucratic structures. Elliot Jaques (1990) advocated the virtues of hierarchy and ridiculed those who claimed that “new” organizations were needed. He wrote: “35 years of research (has) convinced me that managerial hierarchy is the most efficient, the hardest, and in fact the most natural structure ever devised for large organizations” (Jaques, 1990 in Shafritz and Ott (eds.), 1996: 245). Jaques believed that organizations needed to know how to use their hierarchies—not abandon them. He was scathing in his criticisms of “new” organizational structures. He wrote:

“It has become fashionable to call for a new kind of organization to put in place of managerial hierarchy, an organization that will better meet the requirements of what is variously called the Information Age, the Services Age, or the Post-Industrial Age. As vague as the description of the age, is the definition of the kind of new organization required to suit it. Theorists tell us it ought to look more like a symphony orchestra or a hospital or perhaps the British raj. It ought to function by means of primus groups or semiautonomous work teams or matrix overlap groups. It should be organic or entrepreneurial or tight-loose... (but) the theorists’ belief that our changing world requires an alternative to hierarchical organization is simply wrong, and all their proposals are based on an inadequate understanding of not only hierarchy but also human nature” (Ibid: 245).

These are not the words of a “new” organization proponent. Jaques recognized, however, that existing hierarchical structures were not without their problems. He argued that hierarchies would only function properly when accountability became the primary emphasis of management (Ibid: 247). In addition, Jaques introduced a measure he called

the “responsibility time span of the role”. This measure was designed to determine the number of hierarchical layers needed within an organization. Jaques believed that hierarchical levels should be separated by the “responsibility time span” of managers. For example, if a supervisor were responsible for planning work for the next month, then that individual’s “responsibility time span” would be one month. The CEO of an organization might be expected to have a “responsibility time span” of 20 years or more. Using this measure, Jaques postulated that organizations needed no more than seven hierarchical layers (Ibid: 249-251).

Other structural theorists grappled with whether organizations should be *product-based* or *function-based*. Walker and Lorsch (1968) studied two similar manufacturing plants. One plant was *product-based* and the other was *function-based*. Their study indicated that the *function-based* plant was more efficient while the *product-based* plant was more effective (Walker & Lorsch, 1968 in Shafritz and Ott (eds.), 1996: 228). While they concluded that both types of structures could work, they also believed that certain types of organizations would benefit from being either *function-based* or *product-based*. They concluded that *function-based* organizations worked best when dealing with basic, routine tasks—*product-based* organizations was more appropriate when the tasks were unpredictable or required innovative problem solving (Ibid: 230). This issue will emerge during both the Gilbert I and Streamlining 94-95 reorganization where the Coast Guard—in an effort to become more *efficient*—organized along functional lines.

Some structuralists argue for flatter organizations or radical reengineering. Frank Ostroff (1999) wrote: “It is increasingly apparent that the long-favored vertical model is, by itself, no longer capable of meeting all the different needs of business... the key is a horizontal organization structured around... core processes” (Ibid: 6-7). He believes that traditional, vertical organizations may be appropriate when: (1) demand exceeds supply, (2) worker skills are relatively low, (3) technical expertise is paramount, or (4) when success depends on high-volume, standardized production (Ibid: 8). However, for those organizations facing a rapidly changing marketplace, exponential growth in technology,

and increased global competition, Ostroff believes a cross-functional horizontal organization is necessary.

Another recent trend has been reengineering organizations. With their 1993 book *Reengineering the Corporation*, Michael Hammer and James Champy became champions of this reengineering movement. Hammer and Champy define reengineering as “the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in... performance, such as cost, quality, service, and speed” (Hammer & Champy, 1993: 32). The focus of reengineering is on organizational processes. According to Hammer and Champy, reengineering is not designed for incremental or marginal improvements—rather, it should be used when an organization wants to achieve quantum gains in productivity, quality, or cost savings.

The key to reengineering an organization is to reengineer the organization’s processes. Hammer and Champy define *processes* as “a collection of activities that takes one or more kinds of inputs and creates an output that is of value to the customer” (Ibid: 35). Processes—not functions—provide value to the customer. A company that wants to reengineer itself should focus on its processes. An organization cannot reengineer itself without reengineering its processes (Hammer & Stanton, 1995: 17).

Organizational Culture School

Theorists from the *organizational culture school* believe that to understand an organization, you must understand its “cultural norms, values, beliefs and assumptions” (Shafritz & Ott, 1996: 421). These “patterns of thought” become so indelibly ingrained in an organization that they are as powerful—or more powerful—than formal rules, regulations, and policies. The *structural school* of organization theory used rational, quantitative methodologies to understand how organizations functioned. The *organizational culture school* preferred qualitative research methods such as participant-observation and ethnography. The quantitative models used by the “modern”

structuralists and systems theorists were inappropriate for understanding the underlying culture within an organization (Ibid: 420-423).

The *organizational culture school* believed there were limits on managerial authority and that structural explanations could not exclusively account for how organizations functioned. In this regard, the *organizational culture school* was similar to the *human resources school*. To have a cultural perspective of an organization is to “consider the pattern of meanings that guide the thinking, feeling, and behavior of the members of some identified group” (Ancona, et al., 1999: 66). There are five key features of looking at organizations through a cultural lens: (1) a focus on symbols and meaning; (2) identifying various forms of social control; (3) recognizing subcultures; (4) diagnosing organizational culture; and, (5) looking across cultures (Ibid: 73-74). While the formal rules and regulations may describe how the organization *should* function, it is the day-to-day human interactions of an organization that describe how it *really* functions. For example, if management claims that it trusts its employees but then uses extensive surveillance to monitor its workers, then a culture of mistrust and fear are likely—despite the formal pronouncements of management (Ibid: 68).

Summary

This brief literature review of organization theory has hopefully provided the reader with some context with which to consider the U. S. Coast Guard’s reorganization efforts. While the *classical school* is the oldest and most simplistic, many of its major tenets are still evident in today’s organizations. Indeed, each school provides a different perspective—or lens—through which to examine organizations. The breadth and depth of the organization theory literature provides several different approaches to understanding how organizations work.

The next three chapters will describe the Gilbert I, Gilbert II, and Streamlining 94-95 reorganizations. The issues raised in this chapter will resurface. The matter of centralization and whether to organize by function, process, clientele, or location were

key issues during the Gilbert I reorganization. During the Gilbert II reorganization, span of control and scalar chain within Coast Guard Headquarters were two major issues. The Streamlining 94-95 reorganization reflected a Coast Guard culture of being able to perform “more with less.” Over the years the Coast Guard has prided itself on taking on additional operational missions without seeing a corresponding increase in its budget. This culture manifested itself during the Streamlining 94-95 reorganization as the Coast Guard tried to significantly reduce its size while providing the same level of service to the public.

Footnotes for Chapter Two

¹ Obtained from the course materials of MIT Course 15.963 (Organizations as Enacted Systems). This course was taught during the 2000 spring semester.

² Ibid.

CHAPTER THREE

Gilbert I Reorganization¹

Introduction

In 1987, the Coast Guard reorganized. This reorganization—led by Rear Admiral Gilbert—was the most significant organizational change the Coast Guard had experienced since being transferred from the Treasury Department to the Department of Transportation in 1967. For more than thirty years the Coast Guard consisted of twelve autonomous Districts responsible for conducting operations as well as providing engineering and logistical support for cutters and boats. Gilbert I changed this. There would no longer be twelve Districts—it would be reduced to ten. And, more significantly, these ten Districts would be substantially less autonomous. No longer would Districts provide engineering and logistical support for their cutters and boats—this function would be performed by a regionalized maintenance and logistics command outside the chain of command of the District Commander. This was a profound structural (and, as it turned out, cultural) change for the Coast Guard.

This chapter tells the Gilbert I story. It consists of four main sections. First, *the pre-reorganization phase*—the issues and events that lead up to the decision to reorganize. Second, *the study team phase*—the processes and methodology used by the reorganization team. Third, *the decision-making phase*—a look at how the decisions were actually made. The final section—*key decisions*—will review the major decisions that resulted from Gilbert I. The final section is not a critique of what was accomplished, but a summary of the most significant decisions.

A final comment before beginning. The Gilbert I reorganization is unique from the other two reorganizations I examine in Chapters Four and Five. The reorganization team for Gilbert I is more like an “implementation team” than a “study team”. The major decisions were made before the reorganization team had even been formed. As I make

clear later, the Gilbert I “process” is substantially different—and in many ways simpler—from the other two reorganizations.

Pre-reorganization Phase

In the mid-1980's, the Coast Guard was in a budgetary vise. The skyrocketing federal budget deficit had brought renewed efforts to constrain spending from the public and politicians alike. The 1985 Balanced Budget and Emergency Deficit Control Act—more commonly called the Gramm-Rudman-Hollings Act after the three senators who sponsored the legislation—had been enacted. This law required mandatory spending reductions if certain deficit reduction targets were not met.

The federal budget can be roughly divided into two broad categories—**entitlement** spending and **discretionary** spending.² **Entitlement** spending programs such as Social Security, Medicare, Medicaid, and Food Stamps are based on the number of individuals “entitled” to receive benefits—not on a particular funding level. **Discretionary** spending programs, on the other hand, are based on a prescribed funding level that is established through the annual appropriation bills passed by the U. S. Congress and signed into law by the President. With the exception of funding for retired personnel, the Coast Guard's entire budget is considered **discretionary** spending.³ During the 1980's, **entitlement** spending was growing at an increasing rate thus putting greater pressure on the **discretionary** portion of the federal budget.

Not only was there an austere budget climate in Washington D.C., but the Coast Guard also faced the daunting task of obtaining the necessary follow-on funding to operate new 270' medium endurance cutters, new 110' patrol boats, and new aircraft that had been previously purchased. The U.S. Congress and the President had approved funding for procuring, operating, and maintaining these new assets. However, funding to crew—or staff—these new cutters, boats, and aircraft had not yet been approved.

The early to mid 1980's also saw an increase in demand for Coast Guard services. Drug smuggling—particularly in the Caribbean region—had risen substantially. More and more migrants were attempting to enter the country illegally by boat. And with the military buildup during the Reagan presidency, the Coast Guard's national security responsibilities had grown.

In May 1986, Admiral Paul Yost became the Coast Guard's 18th Commandant. He believed the Coast Guard needed to place more emphasis on its law enforcement, port security, and maritime defense missions. This would require even more personnel—or *full-time positions* (FTP)—beyond what was needed to crew the new cutters, boats, and aircraft that were coming on line. These additional resources became known within Coast Guard Headquarters as the Commandant's "high priority initiatives."

Thus, Admiral Yost faced two major challenges. First, crewing the new cutters, boats, and aircraft that were being procured. And, second, finding the FTP for his "high priority initiatives." Combined, this would require over 2,300 FTP. At best, the Coast Guard would receive funding for 1,300 FTP through the congressional appropriation process. This would leave a gap of approximately 1,000 FTP. In a service with approximately 39,000 FTP, this was a significant shortfall.

At the time Admiral Yost was considering his options, the Programs Division of the Chief of Staff's Office at Coast Guard Headquarters was working on a conceptual plan that would play a key role in the Gilbert I reorganization. The Programs Division is considered one of the most influential offices within Coast Guard Headquarters. It helps prepare the annual budget submission to Congress, evaluates issues that require cross-programmatic review, and considers all requests to reprogram resources from one unit or function to another. One Admiral described it as the "operations center of Coast Guard Headquarters." The Programs Division's influence, however, has not always endeared itself to others within the Coast Guard.

Over a period of several months in 1985 and early 1986, the Programs Division had received a number of separate requests from different Coast Guard Districts to reorganize their engineering support staffs. Each request was different and the sentiment within the Programs Division was, in the words of one senior officer, it “would be a mess, unless we had a standard organization” (for District support staffs). There was also a general sense that the level of support provided to the operational units was inconsistent. In some Districts, the support was outstanding. In other Districts, it was less so. The mere fact that so many Districts were trying to restructure their support staffs seemed to indicate to those in the Programs Division that something needed to be done to improve the engineering support structure and the delivery of services.

In 1986, the Programs Division began to work on a concept paper that would address two issues. First, standardizing the engineering support organization throughout the Coast Guard. Second, improving the overall level of engineering support for cutters and boats. Interestingly, aviation support had long been standardized and centralized. Only within the “surface” community—cutters and boats—was there decentralized support. The concept paper recommended two regional maintenance and logistics commands—one on each coast—to handle all naval, civil, and electronic engineering support. While examining the District support staffs, the Programs Division also reached the conclusion that the number of Coast Guard Districts could be reduced from twelve to ten through consolidation.

There were several problems outlined in the Programs Division’s concept paper. First, as one senior officer told me “support was spread too wide, the Coast Guard needed to concentrate.” Second, the paper suggested that District Commanders should spend their time focusing on operational issues and representing the Coast Guard—and that they should not be managing support. Third, the paper argued that the Coast Guard’s “tooth-to-tail” ratio (the number of personnel dedicated to operations as opposed to support functions) should increase—or “improve” as noted by a number of those I interviewed.

The Programs Division approach—regionalizing support functions and reducing the number of Districts—gave Admiral Paul Yost a potential means to acquire the 1,000 FTP he needed for his “high-priority initiatives.” While the initial concept grew out of an effort to standardize and improve support delivery, a beneficial by-product was that there appeared to be significant savings as well. One senior officer said: “The original concept was a recognition that *support* was not doing well... and oh, by the way, there could be some savings as well.” In sum, the Programs Division analysis suggested that savings in support could generate enough resources to allow the Coast Guard to meet the additional 1,000 FTP requirement.

More generally, however, the idea of centralizing engineering support—particularly naval engineering support—was a somewhat radical idea within the Coast Guard. Cutters and boats were essential elements of Coast Guard operations. There was a strong cultural bias within the organization—at least within the “surface” fleet—for the “owner” of the operational assets to also be responsible for its support. On the other hand, the Program Division’s concept paper argued that centralizing and standardizing naval engineering support would:

1. Improve configuration management and control.
2. Provide more technical support capacity through creation of a critical mass of expertise.
3. Improve specification development, contracting and logistics efficiencies through standardization and combination of cutter repair availability (dockside and shipyard maintenance periods) and equipment acquisition packages.
4. Improve consistency in cutter and boat support administrative procedures due to a reduction in the number of principal support offices with the resulting improvement in support program credibility.
5. Improve leveling of financial and direct technical support delivered to the field through consolidation of these resources at the two regional “support commands”.
6. Provide FTP savings through elimination of redundancies common to each District.
7. Improve overall naval engineering effectiveness and support due to more powerful program technical support capacity, more closely coupled learning curves, and improved opportunities for blanket ship repair contracts (USCG, 1987: 14).

To repeat, in the summer of 1986, the Commandant—Admiral Paul Yost—had a 1,000 FTP “gap.” He needed 2,300 FTP—it seemed feasible that 1,300 FTP might be garnered through the normal congressional appropriation process. However, requesting more appeared futile. One senior officer told me that previous efforts to obtain additional resources through the congressional appropriation process had been “crushed by the Office of Management and Budget.” Another senior officer said: “the Coast Guard did not have a prayer of a chance of getting more resources through the budget process.” Thus, the Commandant made a decision to reorganize the Coast Guard using the Program Division’s plan as the framework. His decision was based on 1,000 FTP he needed rather than the benefits that might accrue from this reorganization.

In line with the perceived benefits of the plan, the key components of this reorganization were as follows:

1. Major support functions would be centralized under the Area Commanders—that is, one on each coast.
2. Support Centers—that currently worked for the Districts—would be assigned to work for the new “Area Support Commands.”⁴
3. The Districts located in Long Beach and San Francisco CA would be merged into one District—thus eliminating one District.
4. The District located in New York City would be eliminated. Those units in the northern part of this District would come under command of the District in Boston. Those units in the southern part of the New York City District would be assigned to the Portsmouth District.
5. The primary focus of the District Offices would be operations.
6. Major cutters—Medium Endurance Cutters, High Endurance Cutters, and Polar Icebreakers—would be assigned to the two Area Commanders rather than to Districts.
7. Personnel support would be done in a hybrid fashion—some functions such as pay would be highly centralized—other functions such as housing would be decentralized.
8. Group and Base staffs would be evaluated to ensure they had the proper rank and experience level given the realigned District and Area support structure.

Gilbert I was born. But an implementation plan was needed. Admiral Yost directed that a fulltime reorganization team—to be headed by a flag officer (Rear Admiral or above)—be established to develop a comprehensive implementation plan.

Reorganization Team Process

There are a number of ways an organization can reorganize. Outside consultants can be hired. An existing staff can perform the task. Selected individuals from within the organization can be assigned to a team on a part-time basis. Similarly, selected individuals can be assigned to a team on a full-time basis. The Coast Guard chose the last alternative.

There was a strong belief that the Coast Guard—a unique, multi-mission, military service—would be “unfathomable” for a consulting company. Assigning the task to an existing staff was considered inadvisable—very few had the requisite expertise needed for this undertaking and the workload would overwhelm the staff so that its normal functions could not be performed. Putting together a team of select individuals was considered the right way to proceed. A full-time team was deemed necessary due to the short timeframe—the Commandant wanted a comprehensive proposal within four months—as well as due to the enormity of this task. The Coast Guard was to undertake its most significant reorganization in over 20 years. This was not to be a part time job.

In the summer of 1986, Rear Admiral Gilbert had just been promoted to flag rank and was headed to Washington D.C. to be Chief of the Coast Guard’s Research and Development (R&D) Program. However, the new Commandant—Admiral Paul Yost—had decided a flag officer was not needed to manage the R&D program and he had eliminated this flag billet (job). Thus Rear Admiral Gilbert was available for another assignment. Admiral Yost also wanted a flag officer who was “bright and thoughtful” to lead this effort and he considered Rear Admiral Gilbert to be both. Accordingly, on August 15th 1986, Rear Admiral Gilbert was designated as the Project Manager for the Realignment of Support and Management Functions.

Rear Admiral Gilbert’s first task—along with the Chief of Staff’s Office⁵—was to “select a group of truly outstanding people” (Gilbert, 1987: 14). These individuals were to have a diverse mixture of operational and support backgrounds. It was a very selective

process. One senior officer told me: “We wanted to get officers on this team that were hard to get... if somebody was easy to get, then we didn’t want them.” The implication was that officers wanted for this team would already be in key positions where their supervisors would be hesitant to let them go for up to four months. Recognizing that the Coast Guard would be dramatically changing the naval engineering support structure, a “non-traditional engineer” was sought for this team. A cross-section of engineers, “ship-drivers”, aviators, and support specialists were assembled.

The quality of the Gilbert I reorganization team was frequently mentioned during the interviews conducted for this thesis. I heard praise such as: “It was a super team”... “We put the best and the brightest together”... “The talent level was terrific”. Indeed, four of the eight officers assigned to this team were eventually selected to flag rank—a very impressive percentage. The team also seems to have come together well. During the interviews, I was told: “It was the most effective team I ever served on” (this remark from an officer with almost 30 years of service). Another officer said: “It was a great mix of people... the best part of the experience was working with other people on the Gilbert I reorganization team.” Several officers felt that the leadership of Rear Admiral Gilbert also contributed to the team’s success. During the interviews I heard: “Admiral Gilbert was terrific”... “He was brilliant”... “Admiral Gilbert was a master of this reorganization stuff”... “He optimized the Gilbert I reorganization team perfectly.”... “Having the opportunity to work for Ed Gilbert was worth it all.” These were unsolicited remarks. I did not ask questions about Admiral Gilbert specifically in my interviews.

The reorganization team’s offices were in a building near—but separate—from Coast Guard Headquarters. This appeared ideal. It was close enough to Headquarters to be able to meet with key individuals, yet far enough removed to allow the team to focus on their tasks. The hours were not easy—six or seven day workweeks were common. They would start at 7:00 am and frequently continue until 10:00 pm. Functional statements for the new organization had to be prepared. Staffing and grade levels for the new “Area Support Commands” had to be developed. The District boundary lines between the Boston and Portsmouth Districts had to be determined. While the decision to merge the

Long Beach and San Francisco Districts had been made, the reorganization team had also been tasked to consider whether the Seattle District's boundary along the California-Oregon should be adjusted as a result of merging the two California Districts.

One of the more difficult issues facing the reorganization team was the best location for the two new "Area Support Commands." Closing the Districts in both San Francisco and New York City would result in a large number of Coast Guard civilian employees losing their jobs. In the Coast Guard, military personnel were routinely reassigned to new locations every two-four years—relocating was the "norm" among military personnel. On the other hand, civilians were generally hired for a specific job in a particular location and they did not usually relocate. In addition, the District in New York City was located on Governors Island—an island in New York harbor located between Manhattan and Brooklyn. Governors Island was the home to a number of Coast Guard units that operated in and around New York City. It also served as the homeport for two 378' high endurance cutters. Governors Island was expensive to operate—supporting an island in the middle of New York City was not cheap. Yet Governors Island was also able to "leverage" the overhead costs because so many different Coast Guard activities were placed on the island. The closure of the District would result in a "de-leveraging" of the costs. Put another way, the overhead costs for the remainder of the Coast Guard units on Governors Island would increase since the District would no longer help absorb them.

The reorganization team worked from September to December 1986 to address these issues and develop an implementation plan. They traveled to numerous Coast Guard units to obtain information and give briefings to senior personnel on the progress of their work. In addition, they provided numerous briefings and updates to the Chief of Staff and the Commandant along the way. Describing the process in the *Alumni Bulletin*, Rear Admiral Gilbert said:

"A fundamental change should be developed only after wide consultations with all the Coast Guard's leadership to create the best possible product and climate for its acceptance. Further, up-front consultation allowed leaders to make informed recommendations to the Commandant and to

fully acquaint them with what was proposed so that implementation would be easier” (Gilbert, 1987: 14).

Consultations were not limited to within the Coast Guard. The Gilbert I reorganization team also “consulted with all the other services, obtained an organizational expert, and talked to the Canadian Navy as well” (Ibid: 14).

By early December 1986, the implementation plan was ready to receive final approval from the Commandant.

Decision-Making Process

The decision-making process for Gilbert I—compared to the other two reorganizations we will examine in Chapters Four and Five—was simple and straightforward. In essence, most of the major decisions had already been made before the reorganization team was formed. The Gilbert I reorganization team was an implementation team.⁶ The template had been given to them—their job, as one senior officer told me: “was to tell Admiral Yost how to do it, not what to do.”

However, the Commandant always had the option to not reorganize and maintain the status quo. And, if he decided to go forward and reorganize according to the original Program Division plan, there were still some key decisions that needed to be made. Throughout the process, Rear Admiral Gilbert provided updates and briefings to the Chief of Staff and Admiral Yost whereby he received feedback that helped to “shape” the final product. This was not a reorganization team that went into “seclusion” to develop a “solution.” Rather, the “solution” was molded through frequent interaction between Rear Admiral Gilbert and the Commandant and his senior staff. This feedback ensured the reorganization team stayed “in sync” with the Commandant.

Rear Admiral Gilbert had been directed by the Commandant to achieve savings of approximately 1,000 FTP in the development of the implementation plan. Savings of this magnitude, as previously noted, would cover the existing 1,000 FTP shortfall needed for

the Commandant's "high priority initiatives." The 1,000 FTP figure was a rough estimate developed by the Chief of Staff and the Programs Division when they developed the reorganization "concept" for the Commandant. However, as the reorganization team began their analysis, it quickly became apparent that savings of this magnitude were not possible without severely degrading the Coast Guard's support capability. Even with an "aggressive" approach, Rear Admiral Gilbert—and the reorganization team—believed that the best they could do without causing undue harm to the Coast Guard would be to achieve savings of approximately 500 FTP. Recognizing that the original goal of 1,000 FTP had been a "guesstimate," Admiral Yost accepted this revised figure.

Most of the reorganization team's work was completed in December 1986—four months after Rear Admiral Gilbert had been formally designated to lead this effort. The report was submitted to all flag officers for comment with their responses consolidated by the Chief of Staff's office. A conference call between the Commandant and all flag officers was held to discuss the report and its recommendations. In mid-January, 1987 a one-day conference of all flag officers was held. All flag officers were asked whether they supported the *full realignment* proposal. (There had been discussion whether to merely combine Coast Guard Districts and not change the existing engineering support structure. *Full alignment* referred to combining Districts and realigning the engineering support structure). While not unanimous, the majority of flag officers supported the *full alignment* approach (Ibid: 18). On February 3rd 1987, the Commandant formally approved the Gilbert I report. All decisions were to be fully implemented by September 30th 1988.

There is one additional point worth making on the Gilbert I decision-making process. An officer who played a key role in the reorganization said: "An articulate and thoughtful opponent could have killed Gilbert I." By this, he meant that the opponents of Gilbert I used either weak or irrational arguments when making the case against realigning engineering support. This officer believed that if a flag officer had stepped forward and presented thoughtful, reasoned, rational arguments against the Gilbert I reorganization, the decision to reorganize might have been different.

The Key Decisions

The Gilbert I reorganization was unique in that most of the major decisions had been before the reorganization team was ever formed. As such, many of the decisions have already been discussed. Listed below is a summary of the major decisions from Gilbert I:

1. The creation of two regional Maintenance and Logistics Commands—one on Governors Island in New York City and the other in Alameda, California;
2. The Maintenance and Logistics Commanders would report directly to the respective Area Commander;
3. The Coast Guard Districts in Long Beach and San Francisco would be merged; the “combined” District office would be located in Long Beach, California. The southern boundary of the Seattle District would remain along the California-Oregon border;
4. With the closure of the Coast Guard District Office in New York City, the new boundary for the Boston and Portsmouth Districts would be the Toms River in New Jersey;
5. Larger cutters—medium endurance cutters, high endurance cutters, and the two polar-class icebreakers would be under the administrative and operational control of the Area Commanders;
6. The District Commanders would focus primarily on operations (USCG, 1987: 1-14).

A few of these decisions merit additional comment.

The decision to establish the east-coast Maintenance and Logistics Command on Governors Island was a difficult one. Due to the technical, contractual, and specialized nature of the work to be performed at the Maintenance and Logistics Commands, a large number of civilian employees would be needed. Unlike military personnel who could be “ordered” to any particular location, civilian employees would have to be recruited. There was a tremendous amount of concern about the ability to attract civilian employees—particularly high quality applicants—to the New York City area. One senior officer told me: “Governors Island was bad news... we shouldn’t be there.” Another said: “It was a high cost area... hard to hire civilians.” However, there was even greater concern about the costs associated with finding an alternative. Closing the Coast Guard District in New York City provided office space for the new Maintenance and Logistics

Command to be established on the east coast. And, almost as importantly, the new Maintenance and Logistics Command would provide job opportunities for the civilian employees of the New York City District who would soon be without jobs. Finally, both Area Commanders “felt a strong need for the new command to be physically close to them, especially during their formative stages” (Ibid: 16).

In hindsight, many of the key players in the Gilbert I reorganization effort expressed some regret at the decision to establish the Maintenance and Logistics Command on Governors Island. One officer told me: “We should have gotten off of Governors Island. But there was no place to go. We couldn’t get off until we found a place.” Another senior officer said, “In retrospect, we made a mistake with Governors Island... it was just too heavy of a lift to put the Area and the Maintenance and Logistics Command anywhere else.” As we shall see in Chapter Five, this issue would be revisited later.

The west coast Maintenance and Logistics Command was located in Alameda California for many of the same reasons that the east coast command was located on Governors Island. It provided jobs for civilian employees who would be displaced by the closure of the District in San Francisco right across the bay. In addition, it collocated the Maintenance and Logistics Command with the Area Commander.

Since the new Maintenance and Logistics Commanders were considered “peers” of the District Commanders and would have the same rank, it was decided they would report to the Area Commander. As one senior officer told me: “We wanted to marry the operational support and the logistical support to the same commander. Hence, we had the District Commanders in charge of operations and the Maintenance and Logistics Commander in charge of support with both working for the Area Commander.”

With the merger of the Long Beach and San Francisco Districts, the Gilbert I reorganization team explored whether the boundary for the Seattle District should be adjusted southward. This was looked at because the northern California coast is similar to the Oregon and Washington coasts with its “bar” conditions and the use of motor life

boats (44' surf boats) to conduct search and rescue operations. However, it was decided to keep the boundaries the same to avoid splitting the state of California between two Districts.

Finally, the decision to shift operational control of medium endurance cutters, high endurance cutters, and polar icebreakers from the Districts to the Area Commanders was made because of “the widening breadth of operating theaters for Coast Guard resources and the heightened potential for short-notice deployment... (requiring) a revision to the concept of District ownership” (USCG, 1987: 14). These larger cutters were frequently operating outside the geographic area of the District they were homeported in—thus weakening the rationale that these larger cutters should work for the District Commander.

Summary

The Gilbert I reorganization process was relatively straightforward. After discussions with his staff at Headquarters, the Commandant decided to reorganize the Coast Guard. The goal was savings so that additional FTP could be freed-up for operational purposes. Over a four-month period a reorganization team worked through an iterative process with the Commandant and developed an implementation plan. The plan saved approximately 500 FTP—one-half of the original goal.

Today, Gilbert I's creation of the two regional Maintenance and Logistics Commands is widely viewed as a success.⁷ The consensus within the Coast Guard is that engineering support is more **effective** under the Maintenance and Logistics Command organization than under the previous decentralized system. However, it is interesting that Gilbert I was initiated for **efficiency** reasons—not effectiveness. The Commandant made the decision to reorganize because of the need to find 1,000 FTP for his “high-priority initiatives.” Without this impetus, it is questionable whether the Coast Guard would have undertaken this effort. However, it is an interesting juxtaposition that a reorganization that started out with the objective being greater **efficiency** resulted in greater

effectiveness.⁸ I will discuss the issues of reorganizing for **efficiency** versus **effectiveness** in Chapter Six.

I should note that the Gilbert I reorganization is arguably the most significant organizational change the Coast Guard has undertaken since becoming part of the Department of Transportation over thirty years ago—including the two reorganizations we will look at in Chapters Four and Five. Its significance is due to reducing the autonomy of Coast Guard Districts and realigning the delivery of naval, electronic, and civil engineering support to the operational units. Both of these represented major cultural shifts for the Coast Guard.

Footnotes for Chapter Three

¹ This chapter is based on the Gilbert I Final Report and on interviews with numerous individuals. Where information was obtained from the Gilbert I final report or other sources, citations and endnotes will be used. All other information was obtained through the interviews. Any quote not attributed to the Gilbert I Final Report came from the interviews unless otherwise noted.

² For purposes of this discussion, I have not included interest payments on the national debt.

³ Retired pay constitutes approximately 16% of the Coast Guard's total budget.

⁴ At this point, *Area Support Commands* was a conceptual name. Eventually, these commands would be named Maintenance and Logistics Commands.

⁵ Rear Admiral Gilbert reported directly to the Chief of Staff and the Commandant during the development of the implementation plan and he provided bi-weekly briefings to the Chief of Staff on the team's progress. The Chief of Staff's Office was also involved in the selection of reorganization team members.

⁶ While the Gilbert I reorganization team was an implementation team, the study team *charter* did direct Rear Admiral Gilbert to advise the Commandant if he believed the development of this new support organization would have a detrimental impact on the ability of the Coast Guard to provide the necessary support to the operational units.

⁷ One officer I interviewed believed the success of the MLC's was due in part because of the Area Commander support and the decision to have both MLC's be collocated with the Area Commanders.

⁸ The decision to reorganize was made by the Commandant for efficiency reasons. However, the original Programs Division concept paper argued for realigning the support organization due to effectiveness concerns.

CHAPTER FOUR

Gilbert II Reorganization

Introduction

A driving force behind the Gilbert I reorganization had been to improve the Coast Guard's *tooth-to-tail* ratio. To achieve this, the Coast Guard reduced administrative overhead while neither reducing nor reorganizing its operational units. Marine safety offices, small boat stations, cutters, and air stations had been “off-limits” during the Gilbert I reorganization. While the Gilbert I reorganization reduced administrative and support overhead—it had not touched operational units. The Coast Guard's senior leadership was justifiably proud of this. The purpose of the Gilbert I reorganization had been to find resources—FTP—for operations. In fact, the last sentence of an article written by Rear Admiral Gilbert said:

“We may not be able to do all the things in all the places with all the thoroughness that we used to do them. However, we will have more people operating and fewer supporting” (Gilbert, 1987: 18).

This was the objective of the Gilbert I reorganization: fewer people doing oversight and support—more people “performing” Coast Guard operations. On that objective, the Gilbert I reorganization was successful.

However, to a number of individuals—particularly those assigned to Coast Guard Districts—the Gilbert I reorganization had not gone far enough. If the objective of the Gilbert I reorganization was to find “efficiencies” from the Districts to free up resources—FTP—for operational purposes, *why wasn't Coast Guard Headquarters also examined to find efficiencies that could be plowed back into operations?* If the Districts—“the field”—needed be reorganized during the Gilbert I reorganization to find savings—*shouldn't Coast Guard Headquarters also be looked at?*

This Chapter will look at the reorganization of Coast Guard Headquarters in 1988. I will follow the same format used in the previous chapter. There are four sections—the *pre-*

reorganization phase, the study team phase, the decision-making phase, and a section that lists the key decisions. Of the three reorganization efforts this thesis will look at, the recommendations that came from the Gilbert II reorganization are arguably the boldest and most innovative. Yet—perhaps unsurprisingly—virtually none of these recommendations were adopted.¹ This chapter will explore how—and why—this happened.

Pre-reorganization Phase

The Gilbert I reorganization had been initiated to free up FTP for operational needs. The Commandant—before the Gilbert I reorganization—needed approximately 1,000 FTP for his “high priority initiatives”. Approximately half of this was achieved through the Gilbert I reorganization. While impressive, a 500 FTP “gap” remained.

After Gilbert I, the Commandant received significant encouragement from his District Commanders to reorganize Coast Guard Headquarters. While a majority of the flag officers had supported the Gilbert I reorganization—several of the District Commanders did not. They objected to the concept of transferring support responsibility from the field commanders—the Districts—to the Maintenance and Logistics Command. Most of these District Commanders felt that since the “field” had been reorganized, Coast Guard Headquarters should also be reorganized. One senior officer told me: “Gilbert II was *quid pro quo* for the District Commanders—if the Commandant was going to reorganize the field, then Headquarters should also be reorganized.” Another officer noted: “We did Gilbert II because the District Commanders wanted to reorganize Headquarters.”

Beyond the *quid pro quo* rationale, some within the Coast Guard thought Headquarters *should* be reorganized regardless what had been done in Gilbert I. They believed it was overly bureaucratic, slow to make decisions, and the Chief of Staff’s span of control was too broad. All Headquarters flag officers—except the Commandant and Vice Commandant—worked directly for the Chief of Staff. Many interviewed for this thesis

believed this broad span of control resulted in the Chief of Staff's office being a bottleneck for decision-making within Coast Guard Headquarters.

Due in large measure to the "encouragement" received from the District and Area Commanders, the Commandant chartered a study team to examine Coast Guard Headquarters. Once again, he turned to Rear Admiral Gilbert to lead this effort. As such, this reorganization became widely known within the Coast Guard as Gilbert II. The reorganization team began their work in May 1987.

This time, unlike the Gilbert I reorganization, Rear Admiral Gilbert was given wide latitude to develop a proposed organizational structure. Whereas he had been directed during Gilbert I to tell the Commandant *how* to implement a plan, now Rear Admiral Gilbert was being asked *what* should be done. The charter directed him to do the following:

1. Free some personnel (FTP) for operational needs.
2. Improve overall Coast Guard management.
3. Enhance Coast Guard strategy and policy setting.
4. Better represent the Coast Guard at the center of government.
5. Improve the resource acquisition and allocation process.
6. Provide oversight of and ensure accountability to the Commandant's policies.
7. Reduce administrative costs.²

There was considerable flexibility in this charter. The Gilbert II reorganization team would not be an "implementation team," it would be a full-fledged "study team".

Previously, in 1978, a study team led by Rear Admiral Zumstein had examined the Headquarters organizational structure. There apparently was no urgency or specific objectives behind this study. Rather, it was simply commissioned to explore ways to reorganize Headquarters. This study—while not widely known within the Coast Guard today—is referred to as the Zumstein Study (USCG, 1978). Its charter directed Rear Admiral Zumstein: "To develop an optimal organization structure for the most effective and efficient performance of the functions that need to be carried out at Coast Guard Headquarters" (Ibid: I-1).

The Zumstein Study became just that—a study. It was never implemented. Yet, it contains a number of ideas that would emerge in later reorganizations. One issue the Zumstein Study wrestled with was: *What should be done at Headquarters?* Specifically, the Zumstein Study tried to answer the following questions (Ibid: I-2):

1. Which functions must remain within Coast Guard Headquarters?
2. Which functions could be removed from Coast Guard Headquarters, but must remain located in the Washington D.C. metropolitan area?
3. Which functions could be removed from Coast Guard Headquarters and could be independently located outside the Washington D.C. metropolitan area?

The Gilbert II reorganization team would revisit these issues. The Zumstein Study also looked at reducing the Chief of Staff's span of control and concluded that reducing the Chief of Staff's span-of-control would result in decisions being made at a lower level. By giving the Chief of Staff's *direct reports* a broader range of responsibility, they would be able to make decisions over issues that previously were forced "up" to the Chief of Staff because they impacted more than one Office within Headquarters.

To achieve this, the Zumstein Study recommended a new "Directorate" concept for Coast Guard Headquarters. In 1978, all flag officers at Coast Guard Headquarters—excluding the Commandant and the Vice Commandant—reported directly to the Chief of Staff. Rather than this relatively "flat" organizational structure, the Zumstein Study recommended establishing four major Directorates—each reporting directly to the Chief of Staff—to coordinate the work of Coast Guard Headquarters. Each Directorate would combine similar programs or functions. Each Directorate would be headed by a flag officer with flag officers, Captains, and senior civilians reporting to each Directorate head.

The four Directorates proposed in the Zumstein Study were to be responsible for: **Programs, Systems Readiness, Personnel, and Systems Development** (Ibid: III-1 to III-2). The **Programs** Directorate encompassed all Coast Guard operational programs including law enforcement, search-and-rescue, aids-to-navigation, maritime defense,

marine safety, marine inspection, ice breaking, marine environmental response, and port safety and security. The **Systems Readiness** Directorate included training, management information and financial systems, engineering maintenance and logistics, and inspection and evaluation functions. The **Personnel** Directorate included military, civilian, and reserve personnel management as well as health services support. The **Systems Development** Directorate consolidated the management of research, development, test, and evaluation (RDT&E), acquisition, construction, and improvements (AC&I), and major procurement.

In addition to the four Directorates, the Zumstein Study recommended that two additional flag officers report to the Chief of Staff—the Chief Counsel and a newly created flag billet for Public, Consumer, and International Affairs. The Zumstein Study proposal would have reduced the number of flag officers reporting to the Chief of Staff from twelve to six. This proposal—a Directorate concept—was considered somewhat radical for its time.

There are two additional matters related to the Zumstein Study worth noting. First, during interviews with flag officers, a number of participants in the Zumstein Study stated that the Coast Guard should reduce the number of Districts. This was done almost ten years later in the Gilbert I reorganization. Second, in the late 1970's, the Coast Guard's environmental and waterways management missions were quite prominent. At the time, there was general consensus among Coast Guard management that the Office of Marine Environment at Headquarters was overworked (Ibid: E-3-3). Ten years later the workload had shifted. The “overworked” office at the time of the Gilbert II study was now the Office of Operations. This issue—reorganizing Headquarters to accommodate the increasing workload of certain offices—would resurface in the Gilbert II reorganization.

The Zumstein Study is an intriguing report. In many ways, it was ahead of its time. It arguably laid the foundation for the recommendations that came from the Gilbert II reorganization team. I believe the Zumstein Study was a thoughtful attempt to restructure

Coast Guard Headquarters—with an emphasis on making it more *effective*. This focus on *effectiveness* was possible since the Zumstein Study was not chartered to find greater efficiencies or savings that could be used either internally within the Coast Guard or as budget offsets for annual budget submissions. I will return to the issue of reorganizing for *effectiveness* versus *efficiency* in Chapter Six.

Reorganization Team Process

Many of the processes used with the Gilbert I reorganization effort were copied for Gilbert II. The first task was to put together a reorganization team. As with Gilbert I, it was decided that a select group of individuals—on a fulltime basis—should serve on the reorganization team. Once again, the caliber of the team was outstanding—of the five officers assigned—two were eventually promoted to flag rank. Two senior civilians served on the reorganization team. The team represented a cross-section of the various Headquarters functions. Again, as with Gilbert I, the team worked out of an office building close to Coast Guard Headquarters. As one person told me, this was done to “avoid day-to-day happenstance contact with headquarters personnel.” It also provided the proximity needed to help the reorganization team perform their work.

Periodically, Rear Admiral Gilbert met with the Chief of Staff and the Commandant as the reorganization team developed its proposed Coast Guard Headquarters organization. As part of the data collection phase, the Gilbert II reorganization team interviewed all flag officers assigned to Coast Guard Headquarters. Special *tiger teams* were formed to assist the Gilbert II “core” reorganization team analyze and develop various options and alternatives. These *tiger teams* were developed to augment the knowledge and expertise of the “core” reorganization team. In addition, by using these *tiger teams*, the reorganization team hoped to get Headquarters staff-level “buy-in” for the Gilbert II recommendations. The *tiger team* members—selected from the various Headquarters offices—served on a part-time basis. A “core” reorganization team member served as a liaison to each *tiger team* thus allowing appropriate oversight and guidance.

The reorganization team worked from May until December 1987—twice as long as the Gilbert I reorganization team. The reorganization team was divided into four major groups—(1) human resources and training, (2) finance, engineering, acquisition, and telecommunications, (3) marine safety and marine inspection programs, and (4) operational programs. One member of the Gilbert II reorganization team—an “expert”—was assigned as the leader for each of these four groups. There were some members of the Gilbert II reorganization team who believed that the manner in which the team was divided into groups influenced the final recommendations that were developed... function, in this case, following form. That is, the reorganization team’s proposed organization would include four Directorates—these Directorates essentially followed the form of the four groups used by the reorganization team.

The Gilbert II reorganization team examined current functions to determine whether they needed to be performed at Headquarters or whether they could be done elsewhere. The reorganization team believed that Coast Guard Headquarters should only perform those functions that must be done at Headquarters. Functions or tasks that were not Headquarters responsibilities should be moved to another location. For example, several personnel management functions such as assigning personnel and holding promotion boards did not need to be done at Coast Guard Headquarters. Thus, if these functions could be removed from Headquarters, the office performing these functions might become more effective. The assignment officers who worked at Headquarters were frequently pulled away from their primary tasks of counseling individuals, reviewing personnel records, and making assignments in order to handle “urgent” Headquarters policy issues. If assignment officers were relocated, they presumably would be able to concentrate on their primary jobs and do them better.

The Gilbert II reorganization team reviewed all functions at Headquarters and classified them into three categories: (1) those functions that must be done centrally at Coast Guard Headquarters, (2) those functions that must be done centrally, but did not have to be done at Coast Guard Headquarters, and (3) those functions that could be decentralized—that is,

could be “downloaded” to the Areas, Districts, Maintenance and Logistics Commands, or other Headquarters units.³

The Gilbert II reorganization team believed that over 600 FTP could (some felt should!) be moved out of Coast Guard Headquarters. These were FTP’s associated with functions that more appropriately—in the eyes of the study team—could be performed elsewhere. The reorganization team recommended the creation of centralized commands—not part of the current structure of Coast Guard Headquarters—for these functions. Specifically, the reorganization team proposed the creation of a Military Personnel Command (275 FTP), Material Management Command (150), Finance Center (75), Navigation Systems Command (50), and a Marine Safety Center (40).⁴ These commands would perform functions previously done by Coast Guard Headquarters. While the reorganization team proposed relocating several functions out of Headquarters, they recognized that close proximity to Headquarters might be appropriate for certain commands. For example, they proposed that the Military Personnel Command be established within a half-day’s drive of Headquarters to facilitate resolution of certain personnel matters and to ease the management of the promotion board process.

As the summer of 1987 turned into fall, the outlines of a new Headquarters structure began to emerge. Using a “Directorate” framework—similar to the Zumstein Study—the Gilbert II reorganization team developed a proposed structure that would reorganize Headquarters into four major Directorates while simultaneously reducing the Chief of Staff’s span of control. These four Directorates would be responsible for coordinating the work previously done by the twelve flag officers that reported directly to the Chief of Staff.

The four Directorates proposed were: **Marine Safety, Operations, Human Resources, and Systems Development**. The Marine Safety Directorate consisted of the marine inspection, marine licensing, port safety and security, marine environmental, recreational boating safety, waterways management, and bridge administration programs. The Operations Directorate included law enforcement, maritime defense, aids-to-navigation,

ice breaking, and search-and-rescue missions. The Human Resources Directorate combined personnel, health services, training, and reserve personnel management functions. The Systems Directorate melded the acquisition, engineering, and 3C (command, control, and communications) functions along with certain financial management functions that were then being performed by the Office of the Comptroller. The flag officers in charge of these four Directorates would report directly to the Chief of Staff.

There would be two additional flag officers reporting directly to the Chief of Staff under the Gilbert II reorganization team's proposal. Since legal issues crossed mission and program boundaries, it was considered impractical to have the Chief Counsel—the Coast Guard's senior attorney—be assigned to one Directorate. As such, the Chief Counsel would continue to work directly for the Chief of Staff. In addition, the reorganization team proposed creating a new flag billet to coordinate the resource acquisition and allocation process. There were several Divisions—headed by Captains—within the Chief of Staff's office that dealt with budget, planning, programming, and resource allocation matters. These Divisions reported directly to the Chief of Staff. To allow greater flag-level attention to these critical budget and resource issues, the reorganization team proposed a new flag billet—titled Resource Director—be established. Instead of three Divisions reporting to the Chief of Staff on budget, planning, and resource issues, one flag officer—the Resource Director—would do this. This Resource Director position was proposed to help reduce both the workload and span-of-control of the Chief of Staff as well as provide exclusive flag-level attention to these critical functions.

Finally, recognizing the importance of external communications, the Gilbert II reorganization team proposed the creation of another flag billet—reporting directly to the Commandant—to handle issues dealing with governmental relations, public affairs, and external communications. This position was titled the Assistant Commandant for Communications.

As noted, the Gilbert II reorganization proposal had a number of similarities to the Zumstein Study recommendations. Both proposals would cut in half the number of flag officers reporting directly to the Chief of Staff. Four major Directorates would coordinate the bulk of Headquarters work. Both proposals recommended creating a new flag billet to focus on external communications.

The Directorate structure would result in some flag officers below the Chief of Staff's level reporting to other flag officers. This was a major cultural shift within the Coast Guard's flag corps. Heretofore, flag officers at Headquarters—excluding the Commandant and Vice Commandant—had worked directly for the Chief of Staff. Under the Gilbert II proposal, only those flag officers assigned as Chief of a Directorate—along with the Chief Counsel and the Resource Director—would report directly to the Chief of Staff. The remaining flag officers would report to one of the four Directorate heads.

In 1987, the Chief of Staff had twelve flag officers and six Captains working directly for him. The Gilbert II reorganization proposal reduced this to six flag officers and three Captains. The concept was that with a more “vertical” organization, issues previously brought to the Chief of Staff for resolution could be resolved at the Directorate level—a lower level. The idea was that the Directorates would be able to resolve many of the issues previously handled by the Chief of Staff. Hence, the reorganization team believed that Headquarters would have more decentralized decision-making process with a more “vertical” organizational structure. As discussed in Chapter Two, this is contrary to what the advocates of flatter organizational structures believe—they contend that eliminating managerial layers and increasing spans of control result in decentralized decision-making. The Gilbert II reorganization team turned that notion upside down—instead they believed a reduced span of would decentralize decision-making within Coast Guard Headquarters. I will discuss this further in Chapter Six.

Rejection

The Gilbert II reorganization team had been working for months. They had been steadily putting together their proposal. During a briefing several months into the study, the reorganization team presented their plan to the Commandant and Chief of Staff. In this briefing, they noted their proposal was expected to save approximately 215 FTP. From the Commandant's reaction, it was clear to the members of the reorganization team that he did not like the plan. While no formal decision was made at this briefing, virtually everyone on reorganization team *knew* their proposal as then drafted was not going to be adopted. It appeared the Commandant did not believe the advantages of the proposed organization outweighed the pain such a restructuring would cause. Also, the Commandant did not appear comfortable with the idea of flag officers working for other flag officers below the Chief of Staff's level. Finally, the Coast Guard was experiencing some "growing pains" with the implementation of the Gilbert I reorganization, and it was possible the Commandant did not want to undertake another major reorganization so soon. After the briefing, the reorganization team headed back to their offices—a ten-minute ride—where they met to discuss their options.

The reorganization team faced a dilemma. *What should they do next?* Developing a different, and in the eyes of the reorganization team, an inferior plan, seemed unacceptable. There was little consideration given to this option. Reorganization team members who were interviewed for this thesis believed their job was to recommend the "best" Headquarters organizational structure. To propose an "inferior" plan seemed illogical.

It was a low moment for the reorganization team. They could continue—knowing their final product would be rejected. Or, as one person told me: "We could give it a mercy killing." As they sat around the table, Rear Admiral Gilbert asked each member for their opinion. They could walk away from the effort. Or they could continue and "write for history." As they went around the table, every member of the reorganization team said they wanted to continue. After listening to all the team members, Rear Admiral Gilbert

made the decision they would carry on. From this point forward, they were “writing for history.” This sequence of events raises an interesting question: *Is the purpose of a reorganization team to develop the “right” solution or to present a myriad of alternatives that senior leadership can consider?* I will discuss this issue in Chapter Six.

This decision—to continue with the full knowledge that their proposed plan would not be accepted—marked a turning point for the reorganization team. Henceforth, they would be working on this proposal for themselves—and maybe for some future reorganization team that might review their work. Despite the frustration that the team members felt knowing the reorganization proposal would not be adopted, there was also a sense of pride that they—in their minds—were doing the right thing. As one team member told me: “I felt good about serving on the Gilbert II reorganization team because of the intellectual honesty of the effort.”

While the Commandant had given Rear Admiral Gilbert and his reorganization team the clear impression that he was uncomfortable with such a “radical” change in the Headquarters organizational structure, he had not made any final decisions. While he did not support the Gilbert II recommendations, he was still receptive to some change in the Headquarters organization. Recognizing this, the Chief of Staff’s office—in late 1987—began to prepare an alternative Headquarters reorganization plan for the Commandant’s consideration. By taking some of the ideas from the Gilbert II reorganization proposal—called *gold nuggets* by the Chief of Staff—and through discussions with the Headquarters flag officers, an alternative Headquarters reorganization plan was developed. It became known as the “Chief of Staff Alternative”. A metamorphous had occurred in late 1987—the responsibility for reorganizing Coast Guard Headquarters had shifted from the Gilbert II reorganization team to the Chief of Staff’s office.

The “Chief of Staff Alternative” was more modest than the Gilbert II reorganization proposal. A key difference was that it did not use a “Directorate” structure. Rather, it focused on a modest restructuring of Headquarter Offices. For example, it proposed moving the responsibility for ice breaking from the Office of Operations (the

“overworked” Office) to the Office of Navigation. In addition, it added another flag officer to the Office of Operations to reflect the increasing workload of that Office. It eliminated two Headquarters Offices—headed by flag officers—and merged their functions into other Offices. Moreover, the FTP savings from the “Chief of Staff Alternative” were slightly more than the Gilbert II proposal.

Decision-Making Process

In December 1987, the Commandant wanted to bring the Headquarters reorganization issue to closure. He needed to complete the flag assignments for the upcoming year and this could not be done until a decision had been made on the Headquarters organizational structure. All flag officers—both Headquarters and “field”—were presented with both the Gilbert II reorganization proposal and the “Chief of Staff’s Alternative”. They were asked to provide comments to the Chief of Staff.

Virtually all Headquarters flag officers preferred the “Chief of Staff Alternative.” Responding to a survey by the Chief of Staff, the Headquarters flag officers overwhelmingly believed that:

1. The advantages of the Gilbert II reorganization proposal did not outweigh the disadvantages.
2. The Gilbert II reorganization proposal would result in Headquarters being less effective than the status quo.
3. The proposed staffing levels of Gilbert II—a cut of approximately 9%—were unrealistic.
4. The original “constraints” in the charter given to Rear Admiral should be “relaxed” and that the FTP savings should be reduced.

On the other hand, the “field” flag officers preferred the Gilbert II proposal. Many of the “field” flag officers believed the “Chief of Staff Alternative” was merely a perpetuation of the status quo. Also, they did not believe it fundamentally changed Headquarters—which is what many of them believed needed to be done. In addition, a number of District Commanders believed it was not “fair” to have conducted such a dramatic

change in the field organization with Gilbert I while only making relatively minor changes in the Headquarters organization.

Throughout December 1987, the Commandant held meetings and conference calls with his flag officers to discuss the Headquarters reorganization. Over the Christmas holidays, the Commandant considered the matter and in late December he made his decision.

The Key Decisions

Essentially, the Commandant had three options: do nothing, adopt the “Chief of Staff Alternative”, or implement the proposed Gilbert II reorganization plan. In the end, the Commandant decided to reorganize Coast Guard Headquarters using the framework established in the “Chief of Staff Alternative.”⁵ He did, however, implement a few of the recommendations from the Gilbert II reorganization proposal while also rejecting a couple of the recommendations from the “Chief of Staff’s Alternative.”

The key organizational decisions that Admiral Yost made were:

1. Retained the existing Headquarters structure of Office Chiefs—each headed by a flag officer—reporting directly to the Chief of Staff.
2. Disestablished the Office of the Comptroller and the Office Boating Safety and Public Affairs. The functions of these two Offices would be merged into other Offices.
3. Retained one flag officer in the Office of Operations.⁶
4. Created a Resource Director (flag billet) in the Chief of Staff’s office to coordinate the acquisition and allocation of resources.
5. Established Coordinating Councils organized along the lines of the four Directorates proposed by the Gilbert II reorganization proposal—Office Chiefs would meet periodically to “coordinate” issues that crossed Office boundaries.

The major decision was to maintain the status quo organizational structure. Headquarters would look much the same. Two Offices would be merged into other Offices (decision #2) and a new flag billet would be created to coordinate resource acquisition and allocation (decision #4), but, otherwise, the remaining changes were relatively minor.

The “Chief of Staff Alternative” had proposed a second flag officer in the Office of Operations due to workload concerns. The Commandant—after discussions with both the incumbent and prospective Office Chief⁷—decided to retain the status quo and leave the Office with one flag officer (decision #3). Both the incumbent and the prospective Chief of the Office of Operations believed only one flag officer was needed.

On the other hand, despite the opposition of both the current and prospective Chief of Staff,⁸ the Commandant decided to create a Resource Director—a new flag level billet. The Gilbert II reorganization team had proposed this. The “Chief of Staff Alternative” had not. The Commandant believed the responsibilities of the Chief of Staff—a job he had previously held—were so demanding that it warranted an additional flag officer to focus exclusively on resource matters.

The decision to establish Coordinating Councils was a compromise. The Coordinating Councils were modeled on the Directorate structure that the Gilbert II reorganization team had developed. For example, the Operations Coordinating Council would include those flag officers—Office Chiefs at Coast Guard Headquarters—with responsibilities in operational issues. The Coordinating Councils were recognition that issues impacting more than one Office should be discussed among the various stakeholders.

In sum, the Commandant’s decision to reorganize Headquarters was, as one officer said: “essentially an evolutionary change—one that minimized organizational turmoil during difficult budget times... but without foreclosing future options.” A future Commandant could—if he or she so desired—move toward a Directorate organizational structure.

Summary

The Gilbert II reorganization is the story of two different proposals—one relatively radical and another that was more moderate. Rear Admiral Gilbert had been given wide latitude to develop a new Headquarters organization. But, the proposal his team developed was seemingly too far-reaching for the Commandant. Some of those I interviewed stated their belief that it takes time for radical ideas to percolate into an

organization before they can be adopted. One senior officer said: “sometimes ideas are ahead of their time... the *young Turks*⁹ of the Gilbert II days may have picked up on those radical ideas and ten years later—when in a position to do so—implement them.”

Footnotes for Chapter Four

¹ While most of the recommendations from the Gilbert II reorganization team were not adopted at the time, over the next 10 years virtually every one was approved and implemented. Many would be adopted as part of the Streamlining 94-95 reorganization.

² This was obtained from the informal notes on one of the interviewees.

³ Headquarter Units are those independent commands that report directly to a Headquarters Office such as the Coast Guard training commands.

⁴ All FTP figures were rounded to the nearest five FTP.

⁵ The “Chief of Staff Alternative” was not a one-time proposal—rather it was proposal that “evolved” during December 1987. It was an effort to capture the “consensus” of the Headquarters flag officers, represent the Chief of Staff’s views, and give the Commandant an alternative to the Gilbert II reorganization proposal.

⁶ Both the Gilbert II reorganization proposal and the “Chief of Staff Alternative” recommended two flag officers for the Operations Directorate and the Office of Operations respectively. The Gilbert II reorganization proposal recommended two flag officers due the increasing workload and the additional responsibilities assigned to the Operations Directorate under that proposal. The “Chief of Staff Alternative” added a flag officer primarily because of the additional workload the Office of Operations had gained during the 1980’s.

⁷ The then-current Chief of Operations—a flag officer—would be relieved in the summer of 1988.

⁸ The then-current Chief of Staff—a flag officer—would be relieved in the summer of 1988.

⁹ The term “young Turks” was referring to those officers—who in 1987—were considered future flag officers.

CHAPTER FIVE

Streamlining 94-95

Introduction

In 1993 the Coast Guard was once again buffeted by difficult budgetary times. The first few years of the 1990's saw modest growth in the Coast Guard's annual appropriation but this began to change in 1993 with the consideration of the fiscal year 1994 budget. Spending caps agreed to by the President and Congress in 1990 were beginning to "bite." In the first few years after this agreement was reached, these spending caps were relatively mild. However, by 1993, they were becoming more stringent, and put additional budgetary pressure on all federal agencies. At the same time, President Bill Clinton—who assumed office in January 1993—had made budget deficit reduction a priority. The budget blueprint proposed by President Clinton and approved by Congress called for additional spending restrictions.

1993 was also the year the selection process for the next Commandant started. The Coast Guard's Commandant usually serves four years and Admiral Kime—who had served in this role since 1990—was scheduled to be relieved in May 1994. In the fall of 1993, the Secretary of Transportation reviewed candidates and conducted interviews. While he would undoubtedly consider a range of factors as he made his decision, one attribute would certainly be an ability to manage the Coast Guard through a difficult budgetary environment.¹

This austere budget situation combined with the selection of a new Commandant resulted in the third major reorganization of the Coast Guard in less than ten years. This effort—Streamlining 94-95—would dwarf the Gilbert I and Gilbert II reorganizations both in scope and in the level of achieved budget savings. The Streamlining 94-95 reorganization was significant because it reduced the Coast Guard by 1,400 FTP—twice as many FTP "savings" as Gilbert I and Gilbert II together produced. Furthermore, it moved hundreds of jobs to new locations requiring massive personnel relocations and—for those civilian employees who did not want to relocate—resignations. However, while

Streamlining 94-95 had a dramatic impact on virtually every part of the Coast Guard, it did not change the work processes as dramatically as the Gilbert I reorganization. While an oversimplification, Streamlining 94-95 was primarily a budget-cutting exercise. And, while changes occurred, the Coast Guard looks organizationally similar today to 1993.²

This chapter will again use the framework followed in previous chapters. However, I must note that because the *study team* and *decision-making* phase overlapped significantly during the Streamlining 94-95 reorganization, the chronological order of the descriptions is not as neat as in earlier chapters.

Pre-reorganization Phase

The early 1990's saw great interest in improving the quality and efficiency of government service. David Osborne and Ted Gaebler's 1992 book *Reinventing Government* spoke to the challenges and opportunities facing the public sector and achieved wide popularity. The private sector realized that sustained profitability and growth required a focus on high quality service and productivity. If the private sector could achieve this, there was seemingly no reason it could not be done in the public sector. In March 1993, six weeks after his inauguration, President Clinton announced that Vice-President Gore would lead the *National Performance Review* (NPR) to improve government service. In his remarks on the NPR, President Clinton said:

“Our goal is to make the entire federal government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government.”³

A few months later, the *Government Performance and Results Act* (GPRA) was signed into law by President Clinton. The intent of this legislation was to require federal agencies to develop metrics to measure their performance. GPRA required federal agencies to focus on *results*, not *activity*. For example, an agency might increase the number of safety inspections it conducts. This would result in an increase in their

activity. But the real goal is to reduce accidents. This is the desired *result*. An agency could increase their *activity* but not achieve the desired *result*. GPRA was designed to change this. Rather than measure *activity*, GPRA would require agencies to develop means by which *results* could be measured. Agencies were required to report on their progress in meeting their goals via the annual budget submission.⁴

In the fall of 1993, the Secretary of Transportation interviewed a number of senior Coast Guard Admirals for the job of Commandant. These interviews provided an opportunity for candidates to lay out their agenda for where they would take the Coast Guard over the next four years. The eventual selectee—Admiral Robert Kramek—laid out eight goals he intended to pursue if he were to become the Coast Guard’s next Commandant:

1. Provide **leadership** and a working environment to enable all of our people to reach their full potential;
2. Place **diversity** in the Coast Guard at center stage;
3. Meet the mandate to **streamline** with no reduction in essential services;
4. Maintain a strong response capability; always ready as a military service to meet **multi-mission** requirement;
5. Enhance and extend our reputation as the world’s **premier maritime service**;
6. Engage the Coast Guard as an **intermodal partner** in the implementation of the Department of Transportation’s Strategic Plan, particularly in the areas of infrastructure and safety;
7. Ensure that the Coast Guard epitomizes the best in **quality management practices and performance**;
8. Pursue and exploit **new technologies** to achieve gains in productivity and enhance mission performance (High: 34).

Admiral Kramek served as Commandant from 1994-1998. Within the Coast Guard, he is probably best remembered for the third goal—*streamlining*.

As part of the selection process, a performance agreement was established between Admiral Kramek and the Secretary of Transportation. Part of this agreement required reducing the Coast Guard—in real terms—by twelve percent over a four-year period without reducing service to the public (USCG, 1997: xi). This would result in total reductions of approximately \$400 million and 4,000 FTP over a four-year period. While the Coast Guard had been reducing its budget by decommissioning older cutters,

improving technology, and reducing the size of its reserve workforce, reductions of this magnitude would “require a more extensive, comprehensive effort to meet projected budget reductions” (USCG, 1997: xii). This would be the Streamlining 94-95 reorganization.

In early 1994, Admiral Kramek—who was then the Chief of Staff at Coast Guard Headquarters—chartered two study teams. The first team was directed to examine the Coast Guard’s field organization. The charter directed that the study team should:

“identify and develop alternatives to re-engineer, streamline and improve the efficiency and service... of the Coast Guard’s Command, Control, and Support organizations consistent with the National Performance Review... the goal is to produce savings of a significant magnitude... (and) to identify the most efficient Coast Guard organization while preserving core characteristics, capabilities, and attributes” (USCG, 1997: Appendix D).

Specifically the study team was to examine the Area/District organization, revalidate support levels based on overall downsizing of the Coast Guard, while also examining alternatives for consolidating Coast Guard functions at those military facilities that were being closed or reduced because of the downsizing within the Defense Department. In addition, the study team was directed to work with Coast Guard Headquarters staffs on consolidating Marine Safety Offices, merging Marine Safety Offices with Groups, moving the Coast Guard’s Research and Development functions to a more efficient site, and reengineering the civil engineering organization. Finally, the study team was tasked to examine relocating the Coast Guard from Governors Island (USCG, 1997: Appendix D). Clearly, the scope of this study was enormous. There were few parts of the Coast Guard that would not be impacted by this effort. Later, their charter would be amended to also look at Coast Guard Headquarters organization.

While the Streamlining 94-95 reorganization team would be examining the Coast Guard’s command-and-control organization, operational units would be basically untouched. Similar to the Gilbert I reorganization effort, there was a strong belief on the part of senior management that those units that performed Coast Guard missions should

not be cut or reduced. One senior officer told me: “We only looked at those things above the pointy end of the spear... (we) tried to protect our operational units.” This was also consistent with the Commandant’s pledge to streamline with no essential reduction in services. The reorganization team did examine the command-and-control structures of some marine safety offices, groups, and air stations but those entities actually performing Coast Guard missions would be unaffected.

The second study team had a narrower scope. It was tasked to examine the Coast Guard’s training infrastructure. The charter directed the study team: “To examine and recommend alternatives to the infrastructure... associated with the Coast Guard’s current and future training and education requirements. The goal is to produce savings...” (USCG, 1997: Appendix E). The Coast Guard had four major training commands located at Yorktown, Virginia; Cape May, New Jersey; Petaluma, California; and Mobile, Alabama. In addition, the Coast Guard Academy was located at New London, Connecticut. An earlier study conducted by the Headquarters staff concluded the Coast Guard had excessive infrastructure within the training system. As such, the study team was directed to examine the feasibility of closing one training center.

In early 1994, two study teams were jointly chartered. They would work in parallel and eventually merge. In the following sections, I will refer to the first team as the *Field & Headquarters Study Team*. The second team I will call the *Training Infrastructure Study Team*. Together they constituted the Streamlining 94-95 reorganization team. Both study teams worked for the Chief of Staff.

Reorganization Team Process

The process for the Streamlining 94-95 reorganization was somewhat different than either Gilbert I or Gilbert II. First, as noted earlier, the streamlining team was divided into two study teams that would later merge. Second, the reorganization team was established for a much longer period. Members were not temporarily assigned to the study teams. Rather, they were given permanent assignments that were expected to last

up to two years. Third, after the “study phase” was completed, the reorganization team was converted into an “implementation team”. Finally, there was significant overlap with the reorganization team’s work and the actual decision-making process. That is, the reorganization team would perform their analysis and then brief the flag officers and senior civilians after which they would receive direction or tasking from the Commandant or Chief of Staff. After this, they would resume their analysis and the cycle would continue. This section will cover the “study phase” of the Streamlining 94-95 reorganization team. I will only briefly comment on the “implementation phase”. The decision-making process will be discussed in the next section.

To lead the *Field & Headquarters Study Team*, the Commandant selected Rear Admiral Gerald Woolever. Unlike the Gilbert reorganizations, a fulltime deputy—a Captain—was assigned to the team. Two senior civilians—including one who had served on the Gilbert II reorganization team—were members of the team. In addition, there were seven officers, one chief warrant officer, and one senior enlisted member. In total, there were thirteen fulltime members on the *Field & Headquarters Study Team*.

The Commandant selected Rear Admiral Douglas Teeson to lead the *Training Infrastructure Study Team*. This would be a part-time assignment. Rear Admiral Teeson was also the Commander of the Maintenance and Logistics Command located on Governors Island in New York. One senior officer said, “We felt the Training Study could be led on a part-time basis”. Rear Admiral Teeson was selected, in part, because of his extensive training experience. In addition, he had served on the Gilbert II reorganization team that had studied the merits of creating a training command. A fulltime deputy—a Captain—was assigned to this team. In addition, three senior civilians, five officers, and one senior enlisted individual were assigned—on a fulltime basis—to the *Training Infrastructure Study Team*.

Following the model of Gilbert I and Gilbert II, the study teams were located outside of Coast Guard Headquarters, but close enough to allow frequent interaction and meetings to take place. Both teams were located in an office complex in northern Virginia,

approximately a twenty-minute drive from Coast Guard Headquarters. Each study team member was given a laptop computer—somewhat uncommon for the Coast Guard in 1994.

The fulltime study team members began to arrive in the summer of 1994. By late summer, both teams were fully staffed. However, budget pressures were continuing to build. In June of 1994, the new Chief of Staff—Vice Admiral Kent Williams—advised both Rear Admiral Woolever and Teeson that:

“Fiscal year 1996 budget pressures may force us to take preemptive savings from your study efforts... please take an early look at promising organizational options and recommend areas of emphasis and specific proposals for early starts by 1 August 1994” (USCG, 1997: Appendix D).

The study teams had just been assembled but already there was a need for identifiable savings. Neither team would have the amount of time they wanted. One officer told me: “During the study, something seemed to change and there seemed to be more pressures for savings.” The annual appropriations process was influencing both study teams. The Coast Guard was preparing its fiscal year 1996 budget and was having difficulties in meeting the spending limits established by the Office of Management and Budget.⁵ To avoid cutting operational activities, the Coast Guard needed the study teams to develop budget saving options earlier than originally envisioned.

During the summer and fall of 1994, both study teams traveled extensively to interview individuals throughout the Coast Guard. They adopted a motto--*streamlining in the daylight*—to describe their process. Their final report said:

“The teams began their studies by consulting widely, using a participatory process which became known as “streamlining in the daylight.” As the studies progressed, all levels of the organization became involved through working groups, individual surveys, open e-mail access, and on-site visits to field units throughout the Coast Guard” (USCG, 1997: xvi)

One reason for this “openness” was a desire to avoid some of the perceived criticisms that had been leveled at the Gilbert I and Gilbert II reorganizations.⁶ One officer

associated with the streamlining efforts said: “We learned from the Gilbert experience of the need to market what we were doing.” Another reason for this collaboration was the magnitude of the effort. This reorganization effort was larger than anything previously attempted by the Coast Guard. It was impossible for the study team to fully analyze all the various issues and alternatives without significant assistance from Coast Guard personnel assigned to those organizational entities that were being looked at. Finally, the Coast Guard of the mid-1990’s was different than that of ten years earlier. More participatory management practices such as those associated with TQM were much more common.

The *Field & Headquarters Study Team* looked at four major areas:

1. Field Command and Control and Support: This was an examination of the Areas, the Maintenance and Logistics Commands, and the Districts. In addition, the team examined how Groups, Marine Safety Offices, Air Stations, and Support Commands would be realigned under a new Area, District, and Maintenance and Logistics Command organizational structure;
2. Centers of Excellence: This was a review of a number of ongoing reorganization and relocation proposals involving Coast Guard-wide specialized support;
3. Governors Island: This had been studied in the past and there were indications the Coast Guard could achieve significant savings if it relocated off Governors Island;
4. Headquarters: This was a review of the Headquarters organizational structure with an eye to achieving significant savings (USCG, 1997: xv).

Interestingly, all four major areas had been examined—in total or in part—during the Gilbert I and Gilbert II reorganizations. The last one—reorganizing Headquarters—was added five months after the original charter was signed. The Commandant had originally planned for Headquarters to be examined after the field reorganization had been completed. However, due to input from the field flags, it was moved up.⁷ One officer told me: “Reorganizing Headquarters was always in the Commandant’s mind.” Another officer said: “The Headquarters piece was added after field feedback that it should also be looked at.”

As with the earlier reorganization teams, the pace and tempo of the work was intense. The study team members put in long days and regularly worked weekends. Many said it

was a stressful environment that impacted their health. One officer told me he “paid a personal price” by serving on the *Field & Headquarters Study Team*. This was not an easy work environment. However, virtually everybody I interviewed also believed it was a professionally rewarding experience. One officer told me: “It was very rewarding and I was honored to be a part of what proved to be a milestone event in Coast Guard organizational history.”

The study teams worked at a feverish pace during the fall of 1994. The Commandant had decided to hold a special flag officer and senior civilian conference in December 1994 to review the findings of the two study teams. This gave the Streamlining 94-95 reorganization team approximately six months to prepare. Of those I interviewed, most believed there was not enough time. One officer said: “From the summer until December was not enough time to fully develop the various options”. A small minority, however, felt there was enough time. One said: “It was probably enough time—these sort of things (*referring to reorganization studies*) probably need to be done in a compressed timeframe.”

Originally, the *Field & Headquarters Study Team* planned to develop an “optimal” organizational structure. However, the Chief of Staff requested that they prepare an array of alternatives so the Commandant, flag officers, and senior civilians would have options to consider. This caused some initial frustration for some of the *Field & Headquarters Study Team* members who thought they were to develop the “right organizational structure” for the Coast Guard. They did not particularly enjoy working on options they considered sub-optimal. In addition, developing other options added more work to an already overworked team. I will discuss the issue of whether reorganization teams should prepare an “optimal” solution or present an array of options in the next chapter.

In December 1994, a special flag and senior civilian conference was held to review the findings of the two study teams. Since this conference was part of the actual decision-making process, I will discuss it—and the various alternatives—in the next section. Following the December conference, the two study teams were directed to further

develop and refine certain options that had been supported by the flag officers, senior civilians, and the Commandant. They would then present their findings at the next flag officer and senior civilian conference in April 1995.

The period between December 1994 and April 1995 was hectic. While both study teams had been given greater focus following the December conference, they were now required to provide a much greater level of detail. After the April 1995 conference, the Commandant made his decisions. With this, the reorganization team shifted from a “study” mode to an “implementation” mode.

Following the April 1995 conference, Rear Admiral Teeson returned—on a fulltime basis—to his position as the Commander of the Maintenance and Logistics Command. In the summer of 1995, Rear Admiral Woolever was assigned to be the District Commander in Cleveland. With the study phase over, the Commandant decided that the reorganization team could continue with a Captain—rather than a flag officer—in charge. After the April conference, the two study teams were merged. The deputy of the *Field & Headquarters Study Team*—Captain Jim Doherty—became the new *Streamlining Implementation Team* leader. This newly merged team reported to the Resource Director, one level below the Chief of Staff. In retrospect, both Rear Admiral Woolever and Captain Jim Doherty believed it would have been better if Rear Admiral Woolever had remained as the team’s leader during the implementation phase. They believed the added “horsepower” of a flag officer would have helped the *Streamlining Implementation Team* deal with many of the “senior-level issues” that arose during the implementation phase.

In the summer of 1995, the *Streamlining Implementation Team* moved back into the Coast Guard Headquarters building. With the “study” phase over, it was decided that the “implementation” phase would be run from Headquarters. Thus, the reorganization team was relocated from a pleasant office complex in Arlington, Virginia to a rather drab office building in Southwest Washington D.C. Most reorganization team members were not in favor of this move. They preferred their offices in Arlington.

The Commandant decided he needed approval from the Department of Transportation, the Office of Management and Budget, and key congressional interests before releasing his organizational “decisions” to Coast Guard personnel or the public at large. While the reorganization team knew what had been decided, they were not authorized to share this information. This had a significant and detrimental effect on the reorganization team. They had started their process in the summer of 1994 with the motto of “streamlining in the daylight.” Now, they were required to operate in a covert manner. Several team members believed it hurt their credibility. They had been “open” when asking for assistance from the field. But now, when the field wanted to know what had been decided, the reorganization team could not tell them.

The summer of 1995 had certainly been one of transition—and difficulty—for the reorganization team. Rather than two flag officers leading the effort, a single Captain now headed the reorganization team. They had moved from their “nice digs” in Arlington to the overstated simplicity of Headquarters. The team was no longer “conceptualizing ways to improve the Coast Guard,” they were now working the “nitty-gritty implementation details.” They were being criticized for being secretive. And, the workload did not slacken. Long, grueling hours remained the norm.

When the Commandant made his “decisions” in April 1995, he also decided on a particular level of savings. The *Streamlining Implementation Team* was expected to harvest these savings. That is, they had to identify the specific billets and positions that were to be deleted, downgraded, or relocated. While extensive work had been done prior to the April conference, not all options had been analyzed to the level of detail now required. This was particularly true for the Headquarters reorganization. Several members of the reorganization team felt this was a low point. One officer said: “The push to ensure we got the budget savings hurt the team’s credibility.” Another said: “We let the Headquarters part become a numbers drill—I regret that.” One officer said, “Headquarters turned into just a downsizing evolution.”

Decision-making Process

At the December 1994 conference, the flag officers and senior civilians were briefed on various options for reorganizing the Coast Guard's field organization. The alternatives ranged from maintaining the status quo organization with a 25% reduction in staffing to a more "radical" proposal of eliminating Districts. Other options included merging Districts and merging Areas.

After the briefings, all participants were given an opportunity to express their viewpoints. The purpose of these "open" sessions was to allow the Commandant to hear differing viewpoints. After this discussion period, the flag officers and senior civilians voted on which options they preferred. While all participants knew the Commandant would be making the final decisions, there was a sense that these votes would influence his decisions. During the conference, some new proposals were raised. The December 1994 conference lasted four days. Afterwards, the Commandant met with his most senior Admirals and the two study team leaders—Rear Admirals Woolever and Teeson—for further discussion.

No final decisions were made in December 1994. Rather, the Commandant decided to have the reorganization team study a few of the alternatives in greater depth and brief the flag officers and senior civilians again at a conference in April 1995. At around the same time, the Commandant established a small, senior-level group to assess the political viability of the different alternatives that were being considered. This step was an acknowledgment that while certain options might be best from a Coast Guard perspective, they might not be politically feasible.

At the April 1995 conference, the study teams briefed the flag officers and senior civilians. A discussion period ensued and then votes were again taken. After the conference, the Commandant met with his senior flags and study team leaders for further discussions. At the conclusion of this follow-on meeting, the Commandant made his decisions.

Most of the participants praised the participatory process used at both the December 1994 and the March 1995 conference. One senior officer said: "Admiral Kramek did a spectacular job of bringing the flags and SES's together."⁸ Another said: "Admiral Kramek did a magnificent job in getting input and consensus—he used a very participatory process". Still another officer revealed: "Admiral Kramek did a great job of hearing what the flags wanted to say." One individual said: "These were some of the most productive flag and SES conferences we had." It was also understood that not everybody would be happy with the outcome. As one senior officer said: "Everybody gets their say—not everybody gets their way."

However, not all participants believed the process was fully inclusive. One participant said: "The flag officers were not part of the decision-making process... only when the votes came out in favor of what senior leadership wanted were they used". Another officer said: "I felt more as an observer than a participant at the streamlining conferences." Of those I interviewed, this view was expressed by only a small minority.

As noted earlier, the Commandant's decisions were not publicly announced after the April 1995 conference. Within the Coast Guard, rumors abounded as to what had been decided. Many military and civilian personnel were anxious regarding their future. One person said: "Our communication with our people was worse with Streamlining (94-95) than with the Gilbert reorganizations." Another said: "The information embargo took way too long—we made a mistake in not engaging the Department, OMB, and congressional contacts earlier." This period was also difficult for Coast Guard leaders. One senior officer told me, "Maintaining the information embargo (*for five months*) tested my loyalty to the Coast Guard as I knew people were going to lose their jobs and I wasn't allowed to tell them." Others believed there was no way to avoid the information embargo—one officer told me the delay in announcing the decisions were "probably just a nature of the beast." Of those interviewed, a majority believed that the delay in announcing the decisions was inevitable and was part of the political process of Washington D.C.

In October 1995 the long-awaited decisions were announced.

The Key Decisions

The Streamlining 94-95 reorganization impacted more people and more units in the Coast Guard than either Gilbert I or Gilbert II. Listed below is a summary of the major decisions from the Streamlining 94-95 reorganization:

1. The St. Louis and New Orleans Districts were merged thus eliminating one Coast District. The “merged” District was headquartered in New Orleans. A small, senior-level staff was retained in St. Louis to provide a Coast Guard presence and to serve as a liaison between Coast Guard units operating on the western rivers and the District Office in New Orleans.⁹ This merger resulted in the deletion of one flag billet. This merged staff provided FTP savings.
2. The District Office in Portsmouth, Virginia and the Area Office in New York City were merged into one staff. One flag officer billet was deleted. The newly merged staff was located in Portsmouth. This merged staff provided FTP savings.
3. The District Office in Long Beach and the Area Office in Alameda, California were merged into one staff; one flag officer billet was deleted. The newly merged staff was located in Long Beach. The merged staff provided FTP savings.
4. All other District Offices were downsized thus providing FTP savings.
5. Virtually all support functions were transferred to newly created commands called Integrated Support Commands (ISC). Twelve ISC’s were established—absorbing the seven support centers and five bases that previously existed. Many of the support functions previously performed by the District staffs were transferred to these ISC’s. The ISC’s worked for the Maintenance and Logistics Commands.
6. Four prototype Activities were established in New York, Baltimore, Corpus Christi, and San Diego.
7. All Coast Guard units were moved off Governors Island in New York City. Those operational activities performed in New York harbor were transferred to a former Navy facility on Staten Island. The Area Staff merged with the District Staff in Portsmouth, Virginia; the Maintenance and Logistics Command was relocated to Norfolk, Virginia, and the two high-endurance cutters were relocated to Charleston, South Carolina.
8. No training facilities were closed. A Leadership and Development Center was established at the Coast Guard Academy in New London, Connecticut. The leadership training previously done at the Training Center in Petaluma, California would be transferred to the Leadership and Development Center. To accommodate this increased training responsibility at the Coast Guard Academy, additional infrastructure investments were made.
9. Coast Guard Headquarters was reorganized using a “Directorate” concept. Five Directorates were established: **Operations, Marine Safety, Human Resources,**

Acquisition and Systems. Approximately 300 FTP were saved and another 300 FTP moved out of Headquarters resulting in a 25% reduction in the number of personnel assigned to Coast Guard Headquarters (USCG, 1997).

These decisions impacted virtually every Coast Guard unit or person. As wide-ranging as these decisions were, they were more modest than some of the other alternatives presented by the Streamlining 94-95 reorganization team. The following is a brief discussion on some of these key decisions.

There were a variety of options considered for reorganizing Areas and Districts. As mentioned earlier, they ranged from a 25% reduction of the status quo organization to a more “radical” plan to eliminate Districts. While a significant number of flag officers and senior civilians supported eliminating Districts, the majority was reluctant to support such a dramatic change. Many did not believe the Coast Guard needed to make such a sweeping change to its command-and-control structure. One officer said, “What problem were we trying to solve? Coast Guard operations are doing fine... there is no reason to change our Area-District structure.” The option eventually adopted, was more conservative (see decisions #1 thru #4) than the suggested alternatives. The Commandant’s decision to merge Area and District staffs, merge the St. Louis and New Orleans Districts, and downsize the remaining Districts resulted in savings of almost 500 FTP. This provided recurring annual savings of approximately \$15-\$20 million (USCG, 1995: 8).

The decision to create ISC’s (decision #5) was a continuation of the trend started during Gilbert I to shift support responsibilities from the operational commanders to designated support commands. During Gilbert I, “hard” support functions such as naval and electronic engineering support were shifted to the Maintenance and Logistics Commands. The Streamlining 94-95 reorganization furthered this trend by transferring “soft” support functions such as personnel support, financial management, and housing oversight to the ISC’s. I will discuss this trend—and implications—further in Chapter Six.

Moving off Governors Island (decision #7) was made possible by the closure of a Navy facility on Staten Island. During the Gilbert I reorganization, one of the main reasons the Coast Guard remained on Governors Island was because there was no easy or inexpensive alternative. The Coast Guard needed to maintain a presence in New York City for missions that were geographically based in that area. The dilemma for the Coast Guard was to find a cost-effective alternative in the New York area for those activities that needed to be performed there.

The failure to have such an alternative during Gilbert I resulted in the Coast Guard remaining on Governors Island. However, in 1994, the Coast Guard was lucky. The Department of Defense had begun to shed infrastructure—or bases—in the early 1990's as part of the overall downsizing of the military following the end of the Cold War. The Navy had a facility on Staten Island that was no longer needed thus providing the Coast Guard with an opportunity to move off Governors Island. This decision to move off Governors Island would result in recurring annual savings of approximately \$30 million with a corresponding reduction of 500 FTP (USCG, 1995: 14). Those organizational elements that did not have to be stationed in New York City—the Area Office, the Maintenance and Logistics Command, and the two high-endurance cutters—were moved to other locations.

The *Training Infrastructure Study Team* had explored several alternatives. One option was to close three Coast Guard training centers and relocate virtually all training functions to a recently closed Navy training facility in San Diego.¹⁰ Another option was to close the training center at Cape May, New Jersey. This training center was quite old and required significant infrastructure investment. A third alternative was to close the training center in Petaluma, California. Of the three major training centers, Petaluma was the smallest.

The first two alternatives presented political difficulties. If the Coast Guard tried to close three training centers, it would incur resistance from three different congressional delegations. To close the training center at Cape May was problematic because a key

senator on the Coast Guard's appropriation subcommittee was from New Jersey. From a political perspective, senior leadership in the Coast Guard considered closing Petaluma as the most viable option. Many also believed it was the right decision since Cape May was host to a number of operational units that would have to be relocated to realize the full savings from closing the training center.

The Coast Guard was mistaken. Petaluma was not easy to close. The Base Realignment and Closure Commission (BRAC) had recently proposed—and Congress and President Clinton had agreed—to close a major Air Force Base in northern California. The Coast Guard was now also proposing to close a training center less than 100 miles from the targeted Air Force Base. It was 1995 and the presidential election was only a year away. Despite the relatively small size of the Petaluma training center, the Clinton Administration did not approve the Coast Guard's proposal to close it.

In some ways the Coast Guard was simply unlucky on this matter. If an Air Force Base had not been closed or if it had not been the year before a presidential election, it is possible the Coast Guard would have been able to close the training center in Petaluma California. On the other hand, the Coast Guard probably concentrated too much on certain congressional interests while simultaneously failing to recognize the importance a democratic White House would place on the state of California one year before a presidential election.

Some of those interviewed found considerable irony in the sequence of events surrounding the non-closure of a training center. The Petaluma training center at Petaluma was a new, modern facility. The Cape May training center was old and required significant infrastructure investment. Yet, between these two facilities, the Coast Guard decided to keep Cape May open. Some believed it was done for political reasons. One senior retired officer said: "The right answer was to get rid of Cape May—we did not close it because of politics. We should have been honest about what we doing—we were not and that's what I didn't like." Then, according to others, the Coast

Guard opted to close Petaluma because the Coast Guard thought it would be easier to do politically.

The original plan called for closing the training center at Petaluma and relocating the leadership schools to the Coast Guard Academy at New London. After the White House decided to keep the training center at Petaluma open, the Coast Guard still opted to move the leadership schools to the Coast Guard Academy. This required increased investment to handle the increased student thru-put. A study that began with the intent to shed excess infrastructure by closing a training center ended up increasing the overall training infrastructure within the Coast Guard. The Coast Guard's official report on Streamlining 94-95 stated that the decision to collocate all leadership training at the Coast Guard Academy was done:

“To diversify the Academy’s mission, leverage its overhead costs, and bring future officers into close contact with the current leaders of our military and civilian components.” (USCG, 1995: 13).

Of course, by leveraging the overhead costs at the Coast Guard Academy, the training center at Petaluma had a corresponding unleveraging of its overhead costs.

Coast Guard Headquarters was reduced from approximately 2,400 FTP to 1,800 FTP (decision #9). This was achieved by relocating 300 FTP to field units and reducing the remaining staff by another 300 FTP. In addition, Directorates were established to “begin breaking down organizational barriers to work flow to gain the synergies associated with cross-functional program management” (USCG, 1995: 7).

Several of those interviewed believed that Headquarters was reduced without also reducing the workload. One officer who was not assigned to the Operations Directorate told me: “The Operations Directorate is a disaster—we did not leave them enough resources to do their job”. Another person said: “Headquarters does not have the necessary resources—we cut too much”. One person—from outside Headquarters—

noted: “The Headquarters portion was the worst part of streamlining—it was not a philosophical change in how we did business—it was just a numbers game.”

Some members of the Streamlining 94-95 reorganization team also expressed similar sentiments. One former study team member said: “We are too thin at Headquarters now.” A sizable number of individuals told me that the Headquarters staff had been reduced, but—despite the Directorate organizational structure—the work processes had not changed. Fewer people were still doing the same amount of work.

Summary

The Streamlining 94-95 reorganization reduced approximately 1,400 FTP from the Coast Guard. It provided annual savings of almost \$100 million and allowed the Coast Guard to meet the Commandant’s agreement with the Secretary of Transportation to cut 4,000 FTP and \$400 million by 1998. This was a reorganization designed to find savings while not impacting operational units. As one officer said: “We reduced the Coast Guard with no meaningful reduction in service to the public. If we’ve done this, haven’t we been a good steward of the taxpayer’s money?”

People interviewed that served on the reorganization team were justifiably proud of their efforts. One former study team member said: “The things I’m proudest of was the Governors Island relocation, the ISC model, and the Activity concept”. Some team members look back with regret on certain parts of the reorganization. One officer—expressing regret at the amount of savings achieved through consolidating electronic support functions at the ISC—said: “Looking back, I feel bad about the TT/ET cuts we made.”¹¹ Others expressed concern with how Headquarters had been reduced.

From the vantage point of five years later, a significant majority of those interviewed believed the Coast Guard had cut too much in Streamlining 94-95. Some expressed their belief that the Coast Guard had been too willing to streamline. They believed that while the Coast Guard was streamlining, other agencies were “dragging their feet”. By 1997,

the pressure for budget savings was easing as the economic expansion was pouring revenues into the U.S. Treasury. Those agencies that had resisted calls to streamline or downsize—in the eyes of most I interviewed—avoided taking reductions of the magnitude of the Coast Guard. A recent article on the Coast Guard’s Streamlining 94-95 reorganization said:

“Most Coast Guard leaders now concede they approached streamlining overzealously and naively, more in the manner of a search-and-rescue operation than a long-term management campaign. “Was that the classic Coast Guard good guy standing up and at the same time as the arrow was entering his heart saluting smartly and saying, ‘Boy, do I like this’? There was certainly a little bit of that going on, sure,” Loy¹² says” (Laurent, 2000).

Another senior officer told me: “Over the last twenty years, we have taken too many efficiencies. The taxpayers want the Coast Guard to be the most effective organization, not necessarily the most efficient. Not one good thing came out of Streamlining for the Coast Guard.”¹³ During my interviews, a constant theme was the need for the Coast Guard to get away from downsizing, streamlining, or gaining additional efficiencies. According to most of those interviewed, the Coast Guard needs to focus on effectiveness, not efficiency. I will discuss this issue further in the next chapter.

A final comment on the Streamlining 94-95 reorganization. Approximately 1,400 FTP and \$140 million in annual recurring savings were realized from this effort. An additional 2,600 FTP and \$260 million in savings were achieved through other budgetary initiatives between 1994 and 1998. There are some within the Coast Guard who consider all these reductions to be part of the “streamlining” effort. Therefore, it is possible that some individuals, who are critical of the “streamlining” efforts, are really speaking of the general budgetary difficulties the Coast Guard experienced during these years. In addition, it is possible that by undertaking the Streamlining 94-95 reorganization, the Coast Guard was able to avoid later budgetary cuts. While this was a minority position, it is strongly held by some of those I interviewed.

Footnotes for Chapter Five

¹ The Secretary of Transportation “recommends” an individual to the President to be the Commandant; the President, in turn “nominates” that individual to the U.S. Senate. The U.S. Senate then votes whether to “confirms” or “reject” the nomination. In practice, the “recommendation” from the Secretary of Transportation is supported by the President (who nominates the individual) and the Senate (who approves the nomination).

² Not everybody interviewed for this thesis agreed this was “primarily a budget-cutting” exercise. One individual told me, “It was too simplistic and maybe a bit cynical to consider Streamlining 94-95 as just a budget-cutting exercise.” This individual—as well as others who served on the reorganization team—believed one of the major purposes was to reengineer work processes. Of those interviewed, only a small minority held this view.

³ Remarks by President Clinton on March 3rd, 1993 when announcing the *National Performance Review*.

⁴ Some of those interviewed for this thesis believed there was greater enthusiasm for GPRA from the Executive Branch than from Congress.

⁵ The federal fiscal year begins on October 1st. Hence, the fiscal year 1996 budget would begin on October 1st 1995. Generally, the Coast Guard would submit its annual budget request to OMB one year before the start of the fiscal year. This allowed time for OMB to review the budget. The President formally would submit the entire “President’s Budget” approximately eight months before the start of the fiscal year to allow Congress an opportunity to develop the annual appropriations bills prior to the start of the fiscal year.

⁶ I do not share the view that the Gilbert studies were not open. As discussed in Chapters Three and Four, extensive consultations were conducted with field and Headquarters personnel during both Gilbert I and Gilbert II.

⁷ One individual who was interviewed for this thesis believed that the decision to move up the Headquarters reorganization before a final decision had been made on the field organization was a mistake and contributed to across-the-board cuts imposed on the Headquarters staff. This individual believed that the “right” way to proceed would have been to decide on the field organization and then prepare a complimentary Headquarters organization. Because the study team did not know what shape the field organization would take, they were unable to do this. Therefore, this person believed they were limited in their options to reorganize Headquarters—with one result being the oft-criticized Headquarters staff reductions. Of the six individuals I interviewed who served on the Streamlining 94-95 reorganization team, only one person expressed this viewpoint. However, during the interviews I did not specifically ask about this issue. This individual raised this point during a follow-up conversation after I had completed the interviews. I do not know whether other individuals share this perspective.

⁸ SES stands for Senior-Executive-Service. SES’s are the most senior civilians within the Coast Guard. There are approximately ten SES’s in the Coast Guard.

⁹ *Western Rivers* means the Mississippi River, its tributaries, South Pass, and Southwest Pass, to the navigational demarcation lines dividing the high seas from harbors, rivers, and other inland waters of the United States, and the Port Allen-Morgan City Alternate Route, and that part of the Atchafalaya River above its junction with the Port Allen-Morgan City Alternate Route including the Old River and the Red River.

¹⁰ Under this proposal, the Aviation Training Command in Mobile Al would not close—the training centers in Yorktown, VA; Petaluma, CA; and Cape May, NJ would close.

¹¹ TT’s are Telephone Technicians and ET’s are Electronic Technicians.

¹² Admiral Loy is the current Commandant of the Coast Guard.

¹³ *Streamlining* in Coast Guard parlance refers to the Streamlining 94-95 reorganization.

CHAPTER SIX

Conclusions

Introduction

Organizational change is difficult. This is particularly so for traditional, military organizations. As outlined in this thesis, in less than ten years, three major organizational studies were conducted in the U.S. Coast Guard. While Gilbert II resulted in relatively minor changes, the other two reorganizations dramatically reshaped the organization. Gilbert I fundamentally changed how naval and electronic support was provided to operational units. Streamlining 94-95—while not radically altering the organizational structure of the Coast Guard—significantly reduced the number of Coast Guard personnel while continuing the trend of centralization and consolidation started during Gilbert I.

The Coast Guard decisions to (1) centralize support functions, (2) disempower District Commanders, and (3) add a layer of management at Coast Guard Headquarters are intriguing. It is the reason I chose this topic for thesis research. I want to understand *why* the Coast Guard undertook these changes and how these changes worked out and by understanding this process, I believe I am able to offer useful suggestions for how the next Coast Guard reorganization should be conducted.

This final chapter presents my learning and conclusions. The first section looks at the shift of support responsibilities away from the District Commanders and toward a more centralized organizational structure. Next, I discuss the Headquarters organization and the “addition” of a management layer. The third section offers my thoughts—from a *process* standpoint—on how the next Coast Guard organization should be conducted.

Centralization and Disempowerment

Gilbert I significantly changed the Coast Guard. The “field” commanders no longer had total responsibility for their operational units. Rather, they were to focus primarily on operational issues while naval and electronic support was handled by the newly created regional maintenance and logistics commands. Streamlining 94-95 pushed the change further by transferring “soft” support functions—personnel, financial, and housing—to the Maintenance and Logistics Commands. As a result of Gilbert I and Streamlining 94-95, the District Commanders saw their responsibility—or power—significantly reduced.

Why? Why were Coast Guard “field” commanders “disempowered”? The answer, I believe, is efficiency rather than effectiveness. Both Gilbert I and Streamlining 94-95 were initiated to achieve savings, or *efficiencies*. Neither reorganization was designed to make the Coast Guard more *effective*—although in some aspects that was the result. Gilbert I consolidated support functions to save money. Streamlining 94-95 was initiated for the same reasons. The Coast Guard considered centralization and consolidation as a way to become more *efficient*.

However, if this is true, why have we seen greater decentralization—not centralization—within the private sector over the last ten to fifteen years? Why has the Coast Guard been centralizing while many private sector organizations are decentralizing? While not an easy question, I want to propose three possible explanations.

First, the Coast Guard’s organizational structure is both centralized and decentralized.

I believe the Coast Guard’s organization is less centralized than it appears. While management, support, and oversight responsibilities in the Coast Guard have become more centralized over the past ten years, operations have remained decentralized. Coast Guard operational units have significant autonomy and responsibility. Operational decision-making remains at the unit level. During a search and rescue case that received national media attention, one former District Commander told me: “The nicest thing

about coordinating that case was that I never got a rudder command from anybody.” It is widely accepted within the Coast Guard that you will have more decision-making authority at an operational command than at a District, Area, or Headquarters staff position. As one senior officer told me: “I had more power and responsibility as a Commander at an operational unit than I did as an Admiral at Headquarters.” Centralization, as an organizational shift, occurred therefore outside the “sacred” operational domains and the claim that the organization as a whole pulled back (and up) autonomy and discretion from the front-line personnel is then partly illusory.

Second, the only way for the Coast Guard to achieve significant savings is to cut people. In Gilbert I and Streamlining 94-95 people were reduced through centralization and consolidation.

The Coast Guard—similar to the Federal Aviation Agency or a local police department—is an *operating agency*. In an *operating agency* the employees provide the actual service to the taxpayer. For example, Coast Guard personnel conduct search-and-rescue missions, inspect vessels, and interdict illegal migrants. The Coast Guard does not pay subcontractors or other entities to perform these functions. On the other hand, other government agencies primarily issue grants or provide transfer payments. For example, the Federal Highways Agency has an enormous budget. However, most of it is in the form of grants to states and localities to construct or rebuild roads. Similarly, the Social Security Administration mails retirement checks to millions of citizens.

An operating agency dedicates a large percentage of its budget to personnel costs—since it is the employees that are providing the service to the taxpayer. Approximately two-thirds of the Coast Guard’s operating budget is spent on pay, training, relocation expenses, medical, housing, and other personnel programs. Finding significant savings from the remaining one-third of the budget is usually quite difficult. The quickest—and sometimes easiest—way for the Coast Guard to find budgetary savings is to reduce personnel costs. Thus, when the Coast Guard is looking for large-scale savings in a relatively short period of time, reducing the number of people on the payroll becomes an

attractive option. While there are a number of ways an organization can reduce its workforce, during Gilbert I and Streamlining 94-95, the Coast Guard opted for centralization and consolidation. I am not implying that reducing an organization's workforce results in greater centralization. Rather, that an organization that must reduce its payroll has fewer alternatives than an organization that can cut non-personnel expenses. And, one possible way to reduce personnel is through centralization and consolidation. This is possibly an area for further research. *Are organizations that have a relatively high percent of their operating budget dedicated to personnel costs more inclined to centralization and consolidation when faced with budgetary pressure?* A comparative study of organizations that have experienced financial difficulties might shed light on this question.

Third, the Coast Guard, unlike private sector organizations, is forced to look for efficiencies to address short-term budgetary shortfalls. The Coast Guard achieved these efficiencies through centralization.

For a private sector firm, being *effective* means increasing revenues or market share. For a public sector organization, being *effective* means doing a better job performing their missions. In both cases, effectiveness does not necessarily imply lower cost. Thus, when a private sector organization faces financial difficulties, they can become either more *efficient* or more *effective*. Reducing costs (efficiency) or increasing revenues (effectiveness) allow a private sector firm to improve its financial situation.

On the other hand a public sector organization that is facing budgetary difficulties must either look for greater *efficiencies* or reduce the level of service they provide. When the Coast Guard faced budgetary difficulties in the 1980's and 1990's, it decided to become more *efficient*. It achieved this through increased centralization and consolidation. It may be that when faced with financial difficulties, public sector organizations are more likely than private sector firms to look for greater efficiencies. And, one way to achieve greater efficiencies might be through increased centralization or consolidation. I'm not

implying that seeking greater *efficiency* always equates to more centralization. Rather, that centralization may be one possible path to achieving greater efficiencies.

Of course, a public sector organization can become more *effective* and more *efficient* simultaneously. And, I believe, the Coast Guard often does so. The Coast Guard has used technology to increase the number of personnel records that can be handled by personnel specialists thereby reducing the number of people. In addition, by building more capable buoy tenders, the Coast Guard was able to reduce the number of cutters from 36 to 30. These types of improvement occur regularly. The savings obtained from these *effectiveness* measures are often used as budget offsets for other programs or priorities.

However, *effectiveness* measures are usually evolutionary in nature. Frequently, it takes time to realize significant savings through such actions. For example, building a new class of buoy tenders takes several years. When the Coast Guard is required to make significant budget reductions in a relatively short period of time, it frequently it has to resort to *efficiency* measures—there is often not enough time to look at being more *effective*.

Centralization in the Coast Guard

How has centralization worked for the Coast Guard? Based on the interviews I conducted, the answer to the question is mixed. Most of those I interviewed believed that the centralization of “hard” support functions such as naval, electronic, and civil engineering was working well. Yet, a majority of those interviewed did not believe the centralization of “soft” support functions—personnel, work-life, medical, housing—was working as well. One senior officer said: “On hard support, we are doing a good job. We are not doing as well with soft support. District Commanders no longer control the work-life staffs and the ability to help their people.” A former District Commander told me: “Soft support is not working as well as the hard support.” Another former District Commander said: “Vessel (naval & electronic) support was outstanding. Electronic and

personnel support was not very good.” Still, another former District Commander told me: “Support consolidation has not done its job. Questions I always get are pay, housing, and medical. The *hard* side of support is doing better than the *soft* side.”

Not all agreed with this assessment. One individual who had worked at the MLC told me that not one District Commander had raised concerns with Commander of the Maintenance and Logistics Command regarding the quality of support being provided to the operational units. This individual believed that if District Commanders felt they were not receiving the quality of support they needed, they should have raised this concern to the MLC Commander. Others noted the Coast Guard transferred hard support to the MLC’s in 1987. So, in their view, it made sense that the quality of *hard* support was better—the MLC’s had been working at it longer. These individuals believed it was “too early” to evaluate the quality of *soft* support provided by the MLC’s.

Others felt there were problems with the quality of *soft* support. They believed this was due to a lack of resources. One senior officer told me: “The real issue was the ISC¹ not having the resources.” Another said: “Support is working well, the problem is the level of resources.”

In general, however, most of those I interviewed believed that the operational or field commander should control *soft* support. They believed that “taking care of your people” was an integral part of being an operational commander. One senior officer told me: “The current support model has the ISC Commander paying too much attention to the MLC and not enough attention to the customer.” This officer—as well as many others that I interviewed—believed that the operational commander was responsible for his or her people and therefore should be responsible for the programs that support them. Of those who spoke on this issue, a slight majority believed that the current structure should remain, but that the ISC Commander should report to the District Commander rather than the MLC Commander.

Coast Guard Headquarters and Hierarchy

The second major decision I examined was the addition of an additional management layer at Coast Guard Headquarters. Gilbert II had created an additional layer of management in the Chief of Staff's Office with the creation of a Resource Director. Streamlining 94-95 created a Directorate structure at Coast Guard Headquarters. Before Streamlining 94-95, all Admirals assigned to Coast Guard Headquarters—not including the Commandant and Vice-Commandant—reported directly to the Chief of Staff. Streamlining 94-95 changed this by having four Admirals work for other Admirals. For example, the flag officer responsible for Health and Safety no longer reported to the Chief of Staff—instead, he or she reported to the Assistant Commandant for Human Resources—who, in turn reported to the Chief of Staff. Headquarters therefore became a more *vertical* organization.

Why did the Coast Guard create a more vertical Headquarters organizational structure when many other organizations were deleting management layers and creating flatter, more horizontal organizational structures?

I believe there are two reasons. First, there was a desire to reduce the Chief of Staff's span of control. One former Chief of Staff told me: "I was never comfortable with the number of flag officers reporting to me—there was too big a span of control for the Chief of Staff." Another former Chief of Staff said, "I thought the Chief of Staff job was too big." Almost every flag officer and senior civilian I interviewed shared this sentiment.

Second, by creating Directorates, some issues could be resolved at lower levels in the organization. For example, before the Directorate structure was developed, if the flag officer in charge of Personnel and Training wanted to implement a program that impacted the Office of Health and Safety, this matter would generally be forwarded to the Chief of Staff for adjudication. Under the Directorate structure, the Assistant Commandant for Human Resources could—in theory—make this decision since he or she was responsible for Personnel and Training as well as Health and Safety.

Vertical organizations are often accused of forcing decision-making *higher* within an organization. However, by adopting the Directorate structure—a more vertical organizational structure—the Coast Guard believed that decision-making would be pushed *lower* in the organization. Previously flag officers had to push decisions *up* to the Chief of Staff for resolution because they had a fairly narrow scope of responsibility. Now, with a broader range of responsibility, flag officers could handle issues without having to go to the Chief of Staff—at least in theory.

A number of individuals interviewed for this thesis did not believe a layer of management had been added to the Headquarters organization as a result of Streamlining 94-95. One senior officer told me that he rejected my premise that the new Headquarters organizational structure was more hierarchical. Rather, he believed that, “The Big Four² are more akin to ‘little’ Chief of Staffs.” Another said: “I don’t perceive the creation of Assistant Commandant with flag-Directors reporting to them as another management layer—I think it is empowerment.” A senior officer told me: “I don’t think it really matters having an additional management layer. It could be that it is a *virtual* hierarchy—the reality is that it doesn’t function as a hierarchy.” Of those interviewed for this thesis, this was a minority viewpoint.

Still others pointed out that the Headquarters reorganization resulted in the deletion of *deputies* for flag officers. Before the Streamlining 94-95 reorganization, *deputies* had served as the primary assistant to flag officers at Coast Guard Headquarters. Generally all issues and correspondence was routed through the *deputy* prior to flag-level review or consideration. The *deputy* was usually a very senior Captain. Streamlining 94-95 had deleted these positions. A number of individuals interviewed believed that by deleting *deputies*, a management layer had been eliminated at Headquarters.

I believe the Coast Guard added a layer of management at Headquarters. Before Streamlining 94-95, there were four levels of management at Headquarters—afterwards there were five.³ I do not consider the *deputy* to be an additional layer of management.

The deputy was part of the flag officer's level—not a separate management level. Most of those interviewed—who commented on this issue—agree with this assessment.

How is the new Headquarters organization—with an additional layer of management—working?

Many interviewees expressed concerns with Headquarters in the post-Streamlining 94-95 period. Many of these concerns, however, dealt with staff reductions rather than the organizational structure. While the new Headquarters Directorate structure has changed some of the internal Headquarters processes, a constant theme during the interviews was that not enough changes had been implemented to compensate for the FTP reductions. One person told me: "Streamlining 94-95 did not adequately reduce work. The thought was that we would reengineer work processes—but we did not do this." Another individual said: "I was told that we don't have time to reengineer (Headquarters) processes, so we have to take the cuts now." One former Headquarters flag officer said, "If we don't attack how we do things, merely cutting 15% of the FTP will not work."⁴

Others complained that only part of Headquarters had been reorganized—that is, while Directorates, Assistant Commandants, and Directors had been established, only minimal changes had occurred within the Chief of Staff's Office. Of those who commented on this issue during the interviews, approximately half believed that the "old" problem of everything being funneled to the Chief of Staff still existed. One senior officer said: "Everything should not have to be run to the Chief of Staff or the Commandant. If I can't make decisions, then why do we have this organization? Other (military) services operate a little more empowered—the Coast Guard needs to be more flexible." Another senior officer said: "The additional layer of management would not have been a problem if power had been delegated down (from the Chief of Staff) to the Assistant Commandant level." Another individual said: "We have an unnecessary level of management with our current Headquarters organization—currently the Headquarters organization is dysfunctional." Others disagreed with this view. They believed that the new Directorate structure allowed for decision-making at a lower level.

Several individuals believed that the Streamlining 94-95 reorganization had left Headquarters “top-heavy”. While Headquarters had been reduced from 2,400 to 1,800 FTP by the Streamlining 94-95 reorganization, the number of flag officers at Headquarters had actually increased from fourteen to fifteen.⁵ There was a sense among most of those interviewed that the Coast Guard cut too deeply at the mid-grade levels—Lieutenants, Lieutenant Commanders, and mid-grade civilians. At the same time, the Coast Guard increased the number of many flag officers at Headquarters. One individual told me: “We have too many flags in DC.” A senior retired officer said, “Some Directorates are still screwed up—they have too many chiefs and not enough worker-bees.” Approximately half of those interviewed shared the position there were too many flag officers at Headquarters. The other half believed that the number of flag officers at Headquarters was just about right given the representational requirements of dealing with other governmental entities in Washington D.C.

Of those who commented on the elimination of Office *deputies* during the Headquarters reorganization, a majority believed it was a mistake to eliminate them. One officer said: “It was a mistake to get rid of *deputies*... they were the ones who got the work done at Headquarters.” Another said: “It was a huge mistake to get rid of *deputies*.” Still another individual noted: “The removal of deputies has created a problem within Headquarters.”

During the interviews, I was surprised at the level of frustration that so many senior officers and senior civilians felt regarding the current Headquarters organization. However, it is difficult to assess how Headquarters—or even the centralization of support—is working. The Coast Guard is renowned for being a flexible, responsive organization. It has a culture that prides itself on getting the job done—regardless of the weather, level of resources, or organizational structure. One individual told me: “We are making the new Headquarters organization work.” This was said in spite of the individual’s belief that it was flawed. Another person said: “We (Coast Guard) can make any organizational structure work.” Therein lies the difficulty of assessing how *effective* any organizational structure is—*how do you measure it?*

I believe the current Headquarters organization needs to be reexamined. There should be fewer flag officers and more mid-grade officers. Before Streamlining 94-95, there were fourteen flag officers assigned to Headquarters. Today, there are sixteen flag officers—even though Headquarters was reduced by 25%. Before Streamlining 94-95, the ratio of flag officers to Headquarters staff was 1:171. Today, it is 1:113. In addition, I believe the overall staffing levels should be reassessed to determine whether Streamlining 94-95 cut too much. I believe the current organizational structure, albeit with fewer flag officers and an appropriate staffing level, can meet the Coast Guard's needs.

Recommendations for Future Reorganizations

The Coast Guard will reorganize again. When it will do so is, of course, uncertain. The current Commandant has expressed an interest in providing some stability to the Coast Guard following Streamlining 94-95. So, reorganization is unlikely to occur within the next couple of years. For the day when the Coast Guard does decide to embark on another reorganization effort, I propose seven process recommendations. It is not an exhaustive list but it reflects what I consider to be the most important. They are based on the lessons previous reorganizations have provided.

(1) Reorganization teams should be led by a flag officer, staffed by individuals on a fulltime basis, and located near (but not in) Coast Guard Headquarters. This is essentially the model followed by Gilbert I, Gilbert II, and Streamlining 94-95. Efforts of this magnitude need flag leadership. Symbolism is important. A flag officer signals the seriousness of the effort and there are occasions where the “horsepower” of an Admiral is needed. Reorganization team members should be assigned on a fulltime basis. This is not part-time work, thus it is unreasonable to expect the reorganization team to be assigned to other duties while performing this task. The reorganization team should be located in office spaces outside of Headquarters. This allows the study team to focus on their work without being distracted by the day-to-day hustle of Headquarters. However, they should be close enough to Headquarters to facilitate meetings among the various staffs.

Ideally, the flag officer should be assigned on fulltime basis. If not possible, then I recommend the flag officer's assignment be at Headquarters to allow for frequent interaction with the reorganization team.⁶ It is difficult for both the team leader and the reorganization team if the flag officer has a "regular" job located outside of Washington D.C. The decision on whether to assign the reorganization team members on a temporary or a permanent basis should be based on the expected duration of the reorganization team—something not always known in advance.⁷

(2) High-performing officers and civilians from a broad spectrum of operational backgrounds should be assigned to the reorganization team. Again, this was done with Gilbert I, Gilbert II, and Streamlining 94-95. Reorganization teams need to have the "best and the brightest" assigned—both to address the myriad of complex issues as well as to provide the study team with credibility within the Coast Guard. During the selection process, consideration should be given to whether the reorganization team will serve as just a *study* team or will be both a *study* and an *implementation* team. An individual who is an excellent candidate for a study team may not be as good at serving on an implementation team—and vice-versa. And equally important, individuals who enjoy serving on one type of team may not enjoy serving on a team of the other type.

(3) The charter to the reorganization team should clearly state whether the reorganization team should recommend an organizational structure or provide an array of structural options for further consideration. This was not done in any of the three reorganizations looked at in this thesis. In Gilbert I, this was not an issue as the reorganization team was primarily an implementation team for an initiative that had been pre-approved by the Commandant. In Gilbert II, the study team believed their responsibility was to develop the "best" organizational structure for Headquarters. However, when the Commandant did not support their proposal, the study team's work was rejected and the Chief of Staff had to prepare an alternative. During Streamlining 94-95, the study team originally worked to develop one proposal until the Chief of Staff asked that additional alternatives be prepared. Unless the Commandant is willing to accept what the reorganization team

proposes, I believe the charter should specify that an array of options should be prepared. These options should range from maintaining the status quo to a radical redesign of the existing organizational structure.

(4) The decision-making process should be consensus-driven, open, and participatory. Virtually everyone I interviewed for this thesis praised the decision-making process used by Admiral Kramek during Streamlining 94-95. While not everyone agreed with the outcome, most believed it allowed flag officers and senior civilians to express their views to the Commandant on how the Coast Guard should reorganize. In addition, by using a consensus-building approach, it was easier for the Commandant to gain senior level support for implementing decisions.

(5) If the reorganization is initiated to achieve savings, no specific savings level should be expected until the reorganization team conducts their analysis. While there may be a target level of savings established before a reorganization team commences work, this should not turn into a “hard” or “fixed” target. For example, in Gilbert I, the Commandant set a savings target of 1,000 FTP. After the reorganization team conducted their analysis, they concluded that 500 FTP was the maximum realistic level of savings. The Commandant approved this lower figure.

(6) Coast Guard personnel should be continually kept informed on the progress and options being considered by the reorganization team. In addition, briefings for Department, OMB, and congressional interests should be frequently conducted and should begin as early as possible. During Streamlining 94-95, Coast Guard personnel waited five months for the final decisions to be announced as approval was sought from various governmental entities. There was concern that if the Coast Guard announced the Commandant’s decisions before approval had been received, public political pressure could unravel much of the reorganization proposal.

While I understand the logic, I believe a delay of five months is too long. I believe it would have been better to inform Coast Guard personnel what had been decided but also

tell them the Commandant's decisions awaited OMB and congressional concurrence. I also believe the Coast Guard should have started the briefing process for the Department of Transportation, OMB, and congressional interests sooner. One senior member of the Streamlining 94-95 team told me: "We could have pre-briefed some of the Department, OMB, and congressional staffs earlier to reduce how long it took to get the decisions approved."

Most of the individuals interviewed for this thesis would not agree with this recommendation. Many believed the overall reorganization proposal would have been "picked apart" by various congressional interests if the plan were revealed too early. Each individual component of the Streamlining 94-95 reorganization—except the Governors Island relocation—provided relatively small savings. It was the total reorganization proposal that produced significant savings. If political interests could nibble away at the parts they did not like, the Coast Guard might not be able to achieve the savings it needed. While this may have happened, I believe it is more important to have kept Coast Guard personnel apprised of what was happening. Furthermore, had the briefings for the Department of Transportation and OMB started earlier, it is possible the five month delay would have been reduced.

(7) The Coast Guard should look for opportunities to create a more effective organization instead of merely a more efficient organization. As discussed in earlier chapters, Gilbert I, Gilbert II, and the Streamlining 94-95 were initiated to find *efficiencies* within the Coast Guard.⁸ Yet, the Coast Guard has not undertaken a similar effort to determine a more *effective* organizational structure. *What would happen if the Coast Guard—with no pressure to find savings—conducted a comprehensive study to determine whether the existing organization is the most effective way to perform its missions?* As discussed earlier in this chapter, it is possible that a more *effective* Coast Guard will also be more efficient. However, this may not be the case. Since 1986 the Coast Guard has conducted two major field reorganizations and two Headquarters reorganizations—all were primarily focused on finding *efficiencies*.⁹

It may be time to study the Coast Guard's organization with an eye toward becoming more *effective*. Such an effort may indicate that the status quo is indeed the most *effective* organizational structure. Or it may reveal some alternatives that would allow the Coast Guard to more *effectively* serve the public interests. *Should the Coast Guard consider organizing along business lines rather than the programmatic structure that exists today? Should the Coast Guard follow the Department of Defense model of organizing by personnel, intelligence, logistics, operations, plans, communications, strategy, and programming/resource management? Should the Coast Guard model its organization in alignment with the Department of Transportation? Is there another organizational model the Coast Guard should consider?* I do not know the answer. But I do feel a study team that was put together solely for the purpose of trying to determine the most *effective* Coast Guard organization could certainly add value.

A Final Thought

Many times while working on this thesis, I wondered whether organizational structure really mattered. *Does the organizational structure influence the success of the organization? Or do other factors—culture, environment, and people—really determine success?* During the interviews for this thesis, many individuals told me they thought the Coast Guard should be organized differently—this came from numerous admirals and senior civilians. Yet, the Coast Guard is considered a “can-do” agency. The other military services have frequently praised the Coast Guard's operational capabilities. The Executive Branch and Congress both consider the Coast Guard to be an adaptive, responsive, and flexible government agency. In March 2000, the Government Performance Project—an assessment of government agencies by Syracuse University's Maxwell School of Citizenship and Public Affairs in partnership with *Government Executive* magazine and *Governing* magazine—rated the Coast Guard as one of the two best agencies within the federal government (Barr, 2000). *If the Coast Guard is so highly regarded, why do so many senior leaders within the Coast Guard believe we should be organized differently?*

I happen to think organizational structure does matter. It may be that the Coast Guard is successful in spite of its organization. However, I also believe that factors besides the organizational structure are critical for organizational success. *Could the Coast Guard be even more successful if it organized differently?* That would make an excellent thesis topic for a future Sloan Fellow.

Footnotes for Chapter Six

¹ The ISC's worked for the MLC's.

² In Coast Guard parlance, the **Big Four** means the four "major" Headquarters Directorates: Marine Safety & Environmental Protection, Operations, Systems, and Human Resources.

³ Pre-Streamlining 94-95, the four levels consisted of the Chief of Staff, Offices, Divisions, and Branches. Post-Streamlining 94-95, the five levels consisted of the Chief of Staff, Assistant Commandants, Directors, Offices, and Divisions.

⁴ Overall, Headquarters was actually cut 12.5%. Before the Streamlining 94-95 reorganization, Headquarters had approximately 2400 FTP. 300 FTP (12.5%) were shifted to field functions. Another 300 FTP were cut.

⁵ Since the Streamlining 94-95 reorganization, another flag officer has been added to Coast Guard Headquarters bringing the number to sixteen.

⁶ My assumption is that all reorganization efforts should be based in Washington D.C. to allow easy access to the Commandant, Chief of Staff, and Headquarters staff.

⁷ To clarify, I believe all reorganization team members should be assigned on a fulltime basis. This occurred during all three reorganization efforts looked at in this thesis. However, in Gilbert I and Gilbert II, the team members were assigned on a temporary basis while during Streamlining 94-95 team members were assigned on a permanent reassignment.

⁸ All three reorganizations looked at issues of effectiveness. However, all were designed to realize savings. I am proposing that a study be conducted to determine the most effective organizational structure for the Coast Guard with no pressure to find budgetary savings.

⁹ In some instances the effort to find *efficiencies* resulted in a more *effective* organization. For example, the MLC model of providing naval, electronic, and civil engineering support to field units is widely viewed as being more successful than the prior decentralized approach.

Appendix A

List of Interviewees

Name	Rank	Reorganization ¹
Allen, Thad	Rear Admiral	Gilbert II
Ames, Fred	Rear Admiral	Streamlining 94-95
Blayney, Paul	Rear Admiral	Streamlining 94-95
Busick Paul	Rear Admiral	Streamlining 94-95
Caron, Bob	Senior Civilian	Gilbert I & Gilbert II
Collins, Tom	Vice Admiral	Gilbert I, Gilbert II, & Streamlining 94-95
Crea, Vivien	Captain	Streamlining 94-95
Cross, Terry	Rear Admiral	Streamlining 94-95
Doherty, Jim	Captain	Streamlining 94-95
Egan, Dennis M.	Captain	Streamlining 94-95
Fisher, Tom	SES	Gilbert II & Streamlining 94-95
Gilbert, Marshall E.	Rear Admiral	Gilbert I & Gilbert II
Glahe, Paul	Senior Civilian	Gilbert II & Streamlining 94-95
Herr, Richard	Vice Admiral	Streamlining 94-95
High, Jeffrey	SES	Gilbert II & Streamlining 94-95
Johnson, Harvey	Captain	Streamlining 94-95
Kinghorn, James	Rear Admiral	Gilbert II
Landvogt, Tom	Captain	Gilbert II
Larrabee, Richard	Rear Admiral	Streamlining 94-95
Peoples, Roger	Captain	Streamlining 94-95
Riutta, Ernest R.	Rear Admiral	Streamlining 94-95
Sheehan, Dan	SES	Gilbert II & Streamlining 94-95
Teeson, Doug	Rear Admiral	Gilbert II & Streamlining 94-95
Williams, Kent	Vice-Admiral	Gilbert I, Gilbert II, & Streamlining 94-95
Woolever, Gerald	Rear Admiral	Streamlining 94-95
Yost, Paul	Admiral	Gilbert I & Gilbert II

¹ This column lists the reorganization that the respective individuals were asked about. In some cases, the individuals did not participate in the actual reorganization process, but were able to provide insights and background on what occurred during that time frame.

Appendix B

Coast Guard Areas, Districts, and Maintenance & Logistics Commands

<u>Command</u>	<u>Location</u>
Atlantic Area	Portsmouth, VA
Pacific Area	Alameda, CA
First District	Boston, MA
Fifth District	Portsmouth, VA
Seventh District	Miami, FL
Eighth District	New Orleans, LA
Ninth District	Cleveland, OH
Eleventh District	Alameda, CA
Thirteenth District	Seattle, WA
Fourteenth District	Honolulu, HI
Seventeenth District	Juneau, AK
Maintenance & Logistics Command Atlantic	Norfolk, VA
Maintenance & Logistics Command Pacific	Alameda, CA

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