



**Business Executives  
for National Security**

**Testimony of Harry Totonis**

Member of Business Executives for National Security

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Committee on Homeland Security  
Subcommittee on Oversight and Management Efficiency

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Chairman Perry, Ranking Member Coleman, Members of the Committee, my name is Harry Totonis. I am honored to be here as a private citizen and a member of Business Executives for National Security (BENS). I plan to address what actions the Department of Homeland Security can undertake to improve management effectiveness and efficiency. I will speak from my own knowledge and experience having worked in several industries, including healthcare, financial services, technology and management consulting. My perspectives will reflect how the private sector approaches similar challenges.

I am also a member of Business Executives for National Security, a non-partisan organization of business executives concerned about national security. Although reflective of BENS' perspectives on what the private sector can contribute to better managing our national security organizations, the views I express are my own.

I would also like to recognize and congratulate the many accomplishments that the Department of Homeland Security (DHS) has achieved since its inception 12 years ago across many areas including, overall integration, acquisition management, information technology management, financial management and human capital management. I would also like to note that I applaud Secretary Johnson's initiative to improve departmental cohesiveness and effectiveness as outlined in his April 2014 memo, "Strengthening Departmental Unity of Effort."

While significant progress has been achieved, opportunities appear to exist for continued improvement. Here I am referencing the annual report issued on February 23, 2015 and titled *Major Management and Performance Challenges Facing the Department of Homeland Security, OIG-15-09*. One area highlighted for improvement was in Operations and Management Integration.

As requested, my statement discusses actions that DHS can pursue to strengthen and better integrate its operations management functions. As noted earlier my recommendations are based on my experiences both as a Senior Managing Partner at Booz-Allen & Hamilton and senior executive and CEO for private sector companies. As a consultant I had the opportunity to help large corporations address similar challenges. As a corporate executive and CEO I had the opportunity to implement what I had previously recommended.

The challenge that DHS faces is common among private sector companies. Based on my experience there are five key elements that need to be implemented to achieve effective management:

1. The appropriate leadership with the right set of experiences, values and commitment must be place. Based on what I read it appears that DHS satisfies this requirement.
2. The organization's mission and objectives must be clearly defined. Moreover, there must be alignment across the organization that spans from the Board of Directors and Executive Management across mid-level managers and down to all employees. In my experience, I have always strived for every employee to know our company's mission and objectives and to know where we stood relative to achieving them. Getting this right allows not only better results but significantly improved employee morale. I am not certain where DHS stands on in this area, but what I have read suggest that employee morale is a challenge. As a result I would presume that more work is required here.
3. The organization must have an optimal organization structure given the nature of its activities. I will come back with more comments on this topic in a moment.
4. The organization must deploy systems to measure its performance. Moreover, these systems must be as real-time as possible. Again based on what I have read, this appears to be a challenge area for DHS.
5. Finally the organization's rewards system must be aligned with the mission and objectives.

All of the above need to be in place in order for an integrated management function to work well. The benefits from getting this right are both significant and many. Efficiency and effectiveness improves significantly. Redundancy is reduced. Scarce resources are deployed in priority areas. Scale economies are achieved. Challenges are quickly identified and addressed. Executive management spends less time debating, creating plans or responding to remedial actions as a result of audits. Instead they have more time to execute. Finally, I have found that the organization's employee morale significantly improves as a result of empowerment, involvement and better understanding on how they can contribute to achieving the organization's mission and objectives. With high employee morale along with the other above items an organization achieves on-going improvement capability that "feeds upon itself".

As I outlined earlier, I would like to repeat myself and note that the most progress in organizational and Management efficiency is achieved when all of the five above conditions are aligned with each other and implemented. For example, if the systems are not in place to measure performance (number 4) it is hard to execute on the number 2 and number 5 objectives.

I would like to return to my list of 5 items and further clarify the need for an optimal organization structure. Broadly there are three type of organizational structures:

- A fully integrated organization
- A fully decentralized organization
- An organization with decentralized line activities supported by a strong shared services function or organization

Given that DHS includes 22 diverse agencies—The U.S. Customs Service, Immigration and Naturalization Service, Transportation Security Administration, FEMA, U.S. Coast Guard, U.S. Secret Service, Energy Security and Assurance Program, and many others – a decentralized organization with a strong shared services function is most likely the appropriate organization structure. That implies that each agency should operate fairly autonomously with DHS providing leadership, direction and create value through a Shared Services Organization.

If a company creates a common product with similar processes and customers, then a push to consolidate into one similar entity would be a productive approach. If, however, different companies are creating different products through different processes for different customers, a push to consolidate may be counterproductive. Instead, these companies should be able to retain their unique capabilities and identities, but share common services to drive productivity and effectiveness.

A Shared Services Organization for DHS would include only the activities that are common or shared among the different agencies and are important to effectiveness and efficiency of the overall organization. For an organization as diverse as DHS, they would typically include the following functions:

- Strategic Planning, Mission Definition and Policy setting
- Management Development and Promotion
- Reward setting and compensation
- Goals, Objectives and Budgeting
- Reporting Systems
- Process Improvement and Innovation
- Finance and Accounting
- Purchasing
- Real Property Management, which would strengthen efficiency and reduce costs through reduced administrative overhead.

I underscore typically include because a Shared Services function should include responsibilities that only improve overall effectiveness and efficiency of the entire entity while avoiding creating degradation of service, operating frustrations and increased bureaucracy within the agencies. Given the diverse nature of DHS in suggesting the above functions I tended to focus on leadership, policy, direction setting and measurement functions as opposed to day-to-day operating functions. The two exceptions may be Purchasing and Process Improvement and Innovation.

Successful Shared Services organization include a process improvement team that works with all the agencies on important and focused areas. For example, General Electric and other corporations created six sigma teams that worked with all the GE businesses to achieve operations improvement. To ensure success this team needs to have teeth relative to implementing their findings, funding, and it cannot be optional for an agency to implementing their findings.

Finally given the diversity that exists within DHS, I need to note that based on my experience, attempting to centralize additional functions, beyond what is described above, it only has the potential of increasing costs, degrading service and adversely impacting morale.

I recognize, as other members of BENS have previously testified before this committee, that the management improvement plate is bigger and the opportunities far broader to set the Department on the path to greater effectiveness and efficiency. Certainly 12 years-worth of data should be sufficient to give a basic sense of where the frictions and the dependencies lie.

In appearing before you today my intent is to present a private sector perspective that will, hopefully, assist the committee in becoming a better Board of Directors for DHS. I am confident that with the help of this committee the Department can, in the face a certain resource restraints in the coming years, commit to operational changes in its overhead and infrastructure functions that can put it in the company of the best managed organizations—public or private—in the nation.

Thank you for the invitation to testify. I am prepared to answer any questions you might have.