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 U.S. Department of Housing and Urban Development



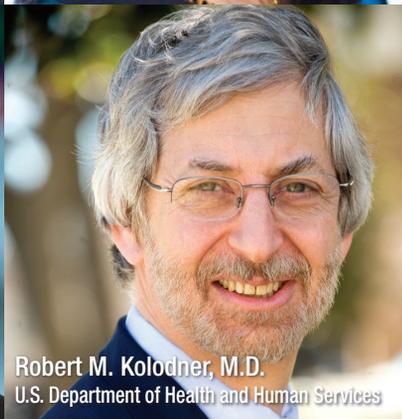
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 U.S. Department of Transportation



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 U.S. Department of State



Robert M. Kolodner, M.D.  
 U.S. Department of Health and Human Services



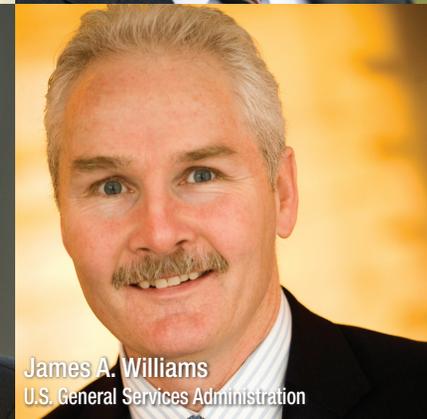
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By Albert Morales



**Albert Morales** is General Manager, Federal Civilian Industry Leader, IBM Global Business Services, and Managing Partner, IBM Center for The Business of Government. His e-mail: [albert.morales@us.ibm.com](mailto:albert.morales@us.ibm.com).

## The Greening of IT

It is becoming widely understood that the way in which we are behaving as a society is environmentally unsustainable, causing irreparable damage to our planet. Rising energy prices, together with government-imposed levies on carbon production, are increasingly impacting the cost of doing business, making many current business practices economically unsustainable. It is becoming progressively more important for all organizations to act (and to be seen to act) in an environmentally responsible manner. Information technology (IT) has a large part to play in all this. With its increasing importance in our economy, IT is driving an exponential increase in demand for energy.

### The Problem

Rising energy costs will have an impact on all organizations, and all will increasingly be judged according to their environmental credentials, by legislators, customers, and stakeholders. This won't just affect the obvious, traditionally power-hungry "smoke-belching" manufacturing and heavy engineering operations. Indeed, IT operations are more vulnerable than most—they have sometimes been a reckless and profligate consumer of energy. Development and improvements in technology have largely been achieved without regard to energy consumption.

### The Impact

Rising energy costs and increasing environmental damage can only become more important issues, politically and economically. They will continue to drive significant increases in the cost of living and will continue to drive up the cost of doing business. This will make it imperative for governments to operate as green entities, risking massive and expensive change. Solving the problems of rising energy costs and environmental damage will be extremely painful and costly, and those perceived as being responsible will be increasingly expected to shoulder the biggest burden of the cost and blame. It may even prove impossible to reduce the growth in carbon emissions sufficiently to avoid environmental catastrophe. Some believe that the spotlight may point more and more to IT as an area to make major energy savings, and some even predict that IT may become tomorrow's 4x4/SUV and the next thing to lose public support and consent.

### The Solution

A fresh approach to IT and power is now needed, putting power consumption at the fore in all aspects of IT—from basic hardware design to architectural standards, from bolt-on point solutions to bottom-up infrastructure build. There is a real, economic imperative to change arising now, and it is not just a matter of making gestures. ●

# The Power of Blogging: A Conversation with General James Cartwright

General James Cartwright, U.S. Marine, served as commander of the U.S. Strategic Command (STRATCOM) from 2002 to 2007 and introduced a number of innovative management approaches, including the use of blogging. Blogging is an online journal of regular entries that users post and readers can comment upon. In mid-2007, he became the vice chairman of the Joint Chiefs of Staff.

In June 2007, the IBM Center hosted an event on blogging and Web 2.0 technologies. General Cartwright was asked to describe why he introduced blogging and other technology tools into STRATCOM and how they helped improve the Command's ability to meet its mission.

## On Getting People to Talk

When we started into this activity associated with blogging, it really wasn't to go out and blog. It was to address some issues and problems that we needed to solve. The Command that I moved to a little over three years ago, the U.S. Strategic Command (STRATCOM), went through a period of growth just prior to my arrival. For years "STRATCOM" was kind of a nice way of saying "manage nuclear weapons." But in 1999 and 2000 they added to its portfolio all of space and space operations. And then two years after that, we got all of the Defense Department's cyber operations, missile defense, intelligence surveillance (or reconnaissance), and command and control.

This was a large movement towards global missions and missions that were not assigned to a particular military service. And so they were crosscutting; in many cases they were—we are not allowed to say "stovepiped" anymore, so we call them "vertical cylinders of excellence"! But they were very closed communities. So coming into the job it was challenging to try to understand how do you take this global activity, bring some integration and synchronization to it—because that was the charter—and how do you get these people to talk, find a way to think about their problems, find a way for them to understand what's going on in the cylinder next to them, and start to move forward in a way that made sense.



Photo: www.jcs.mil

## On the Rapid Pace of Change

Today when you look at the information technology world, we're probably talking 30 months where you can maintain some sort of a competitive edge with a particular idea. But when you talk about our military forces in Baghdad, you're talking about an adversary that's thinking three weeks. You do something, and they will counter it in three weeks.

So scale, speed, pace—all of those things—are now so dynamic. How do you act on that? Two hundred years ago, Napoleon designed a command-and-control system for military forces to work out the ambiguity of information. We've pretty much left his system alone. It's still here. So how do you start to change a system that starts at the lowest level, communicates to the top, moves over to the next cylinder, goes down and up again? I know it sounds familiar because every bureaucracy basically does that and the size of their headquarters is directly relevant to the amount of ambiguity that you are dealing with, and you're trying to wash it out.

## On Needing Real-Time Information

You know, this is a huge activity and so how do you start to bring the tools to bear and which tools will have the greatest

leverage, the quickest? At the end of the day that's what we're looking for: How can we start to bring these organizations together? And so those were the types of things we were looking for. It's not "one size fits all," and we are not using just blogging, but it became the most leveraging tool in the kit.

The reason blogging was so useful was because it could handle all of the time zones, it could handle global activity, it could change your strategy on a dime. And, you know, this is one of those conversations that you never want to have, but when you get the call in the middle of the night and everything is going the wrong way, it could in fact inform decision makers in real time with real information to make decisions much quicker than a phone conference.

If I have to wake you up at 2 o'clock in the morning and explain to you that a piece of debris hit the space shuttle and we're not sure what the implications are, and let me walk you through what the construct of the wing is and the implications of the type of material it hit, and where did the debris—by the time I finish that explanation, the problem has become irrelevant.

In one of our mission areas—missile defense—from the time it leaves the surface of the earth until about 200 seconds later is when you know whether it's coming towards you or it's not and it's going to space. If it's going to space or it's going right at something else—that's in a space of 200 seconds. What are you going to do in the middle of the night to convey the amount of information necessary to make a critical decision?

Those kinds of problems may be unique to the military, but the reality is I don't think so. I mean, I think it has a much broader application, and that's what we're finding out as we start to work our way through.

So the speed of informing someone, bringing key relevant information to a decision, was so much quicker in this environment than it was by getting on a phone conference. What we did was what we meant to do: We married the two, quite frankly. So that before you got on the phone you knew the problem, and the phone call was to make a decision, not to discover, okay? This is a big concept, a big paradigm shift. So we had, you know, kind of a problem set out in front of us.

### **On Creating a Common Work Space**

We are using the blogs internally today. In these vertical cylinders of excellence each one of them wanted to have their own space. They all had different security, legal—all of those parameters to try to work through. So how do you start to cross-check through those? Each one would have, had



*Vice Chairman of the Joint Chiefs of Staff Gen. James Cartwright (right) and Secretary of Defense Robert Gates at a media roundtable in the Pentagon.*

Photo: www.defenselink.mil/Petty Officer 2nd Class Molly A. Burgess, U.S. Navy

they thought about it, their own blogs. Yet it's very difficult to discover quickly and to correlate information if that's the way you do business.

So one of the first attributes was everybody's going to be on the common space. But my job is different than your job; you may be looking at it from one perspective, I am going to look at it from a different perspective. My responsibilities are completely different, and the way I treat the information versus, say, a subject matter expert may be different. So it had to be able to cross and create what we called a user-defined picture. In other words, the blog space had to accommodate every level and echelon of decision making and activity in those organizations.

And so, you know, I may not be the first to admit that we stole and we plagiarized and we did everything we could do to figure out how to get across that. And essentially where we ended up was that we globally tied all of our operation centers together. And they created subjects, issues, events. Those events became blog space. So they created [elements in the blog space] based on the importance, the interest, whatever, on the demand. In many cases, for my part, it was a demand for a blog to be developed. And if you were interested or if you got up 12 hours after an event, or as an event was unfolding, you could join in based on your daylight time, and participate and contribute, but the event was real time.

We have a pull-down menu that says, “What databases do you want to have the information come from?” Do you want it from the intelligence community? Do you want it from open source? Do you want it from classified sources? And it will then pour [your selections] into your reader, so to speak.

### On Managing Behavior in an Unmanaged Environment

The other piece that has been talked about pretty significantly is the accountability side of the activity: How do you make the behavior in the space accountable and safeguard the security activities associated with it? How do you make people accountable for that, and what kind of tools could you use?

So the next thing that we threw in there was, when you log on I know who you are, I know where you work, I know your profile. Now, given that it’s inside [the Defense security firewall], you can do more than you can with an external [Internet system]. But that [visibility of an individual’s profile] became very powerful. It also had its downside. I mean, if you log on, if you decide to enter into a conversation, direct something, respond to something as a senior person in at least rank, you can be globally stupid, you know! And you can do it very, very, quickly! And if that bothers you, you’re going to have to toughen up your hide because you are open to criticism, and in the military’s rank structure that’s something that is a paradigm shift. But if you can’t stand being globally stupid once in a while, this is not the space for you, okay?

Now, the other piece on the behavior side was that people really worried in the rank structure that they would somehow breach it and you’d have inappropriate comments. What we did was we created what an aviator called a Ready Room. This was an environment where, for training purposes, we wash off the stuff and it’s brutal.

And we just turned this Ready Room environment into just that. So it is brutal. If you are misbehaving, it gets policed so very quickly that the downside is extremely small, extremely minor. The upsides—of the intellectual capital, the speed to which you gain information in context for decisions and planning and execution—I have not found anything that comes close, even close. Many people use this for many different reasons. I can focus on the enemy, got that. I can focus on higher headquarters and out-turn them. So the organization can turn on a 24-hour clock very, very quickly. So if a piece of debris hits the shuttle or if you’re trying to deal with IEDs [improvised explosive devices] and you’re trying to turn inside those decision cycles, you can do it.

### On Creating a New Culture

I think the other piece for us was the introduction [of these new collaborative tools], how it worked and the counter-culture activities that we had to go through. I’ll just kind of step through that real quickly. First, we built it on a very cheap, free platform, and so it cost nothing. I can’t tell you how many times GAO [the Government Accountability Office] has asked to come in and audit because they’re sure we’re spending billions, and you walk them in and you say this is it. And they think you are hiding something, it’s somewhere out there on that network, you’ve got a secret headquarters. No, it’s not, and I’m sure in private industry many have found the same thing—this is not major money.

But it scales very quickly, so you do have to understand the fact that it scales quickly. And so for us the first thing I wanted to do was to change culture a little bit by incentivizing the use of this as a communication tool. The second was to be responsive to the people using the system, and build it and turn it quickly so that it reflected their wants and needs. What I wanted was an update every week for the first month, after the first month we turned an update every two weeks, and now we are on a 30-day cycle. But it gave us a very quick turn to being responsive to our users and showed that we would change and could change, and we could adapt the system to what we needed.

It started to really take off after about the second or third week and we found ourselves up in the hundreds, then thousands, of users. The events went much quicker. We started in



Photo courtesy of U.S. Air Force/SM Sgt. Don Senger

Airman 1st Class Melvin Silva (left) and Senior Airman Jacob Galindo, 506th Expeditionary Security Forces Squadron Raven operators, work together to view images transmitted from an RQ-11 Raven during a mission at Kirkuk Base, Iraq. Despite weighing in at less than five pounds, this unmanned aerial reconnaissance vehicle plays a vital role in securing the base and surrounding neighborhoods.

“... when you get the call in the middle of the night and everything is going the wrong way, it [blogging] could in fact inform decision makers in real time with real information to make decisions much quicker than a phone conference.”

— General James Cartwright, Vice Chairman, Joint Chiefs of Staff

the 300 or 400 transactions a day area and after six months we were in the 3,000 or 4,000 an hour transaction area. And now, for an exercise, we are dealing in generally 250,000 to 350,000 per hour transactions, globally, across all of these communities. And now it has started to move across government. So we have with us the intelligence community, the State Department, Justice, all very much into using it, both in working with us and in finding information.

It is fast enough that you can pick up the phone, see who it is you are talking to, do a one-word search, and there is not likely to be too much that you can't converse with them about. And for an executive that's very powerful. You can reach very deep into the technical side very, very quickly. And with the multimedia pieces and being able to stream video or to be able to move over and get the actual text of something that is going on right now, in a language for which there are no linguists in your organization, is incredibly powerful.

### On Challenging the Bureaucracy

So those are some of the things that we have learned in this environment. I'm obviously very committed to it, and I think it does take senior leadership to be committed because I will tell you one last thing here: I think the people that are most threatened in a bureaucracy by this kind of activity are the process owners. The process owners start to see control seeping away from them because you are allowed to move cross-boundaries and correlate information in ways that—if you built a process, if you built a little kingdom—that starts to seep away your power, your authority, to at least say “no” to something that is coming through.

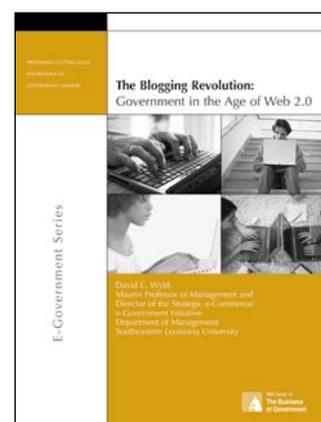
And which, I mean to be frank, in government we have a lot of processes with the authority to say “no,” okay? So that becomes very worrisome in this environment. Now, those processes do have some value, so you've got to understand what it is you are impinging on and try to understand implications of the second- and third-order effects—however, nine times out of ten we find out we can do pretty well just bypassing that process.

But that's where you have a challenge. It is in middle management. And we have found that we generally turn on six-month centers for the culture. Six months, I go out and say “we are going to do this,” people start doing it. Then the process owners start to re-infiltrate it and at about the six-month point, stuff starts to drop off. You take a baseball bat out, threaten firing, things like that, get another six months and then it retrenches again on you.

You cannot ignore that. You have to stay committed to this. Even though the power of the activity is taking off, those who want to gain the power of particular activities back will retrench and build a process around it to slow it back down. The power in my mind is that, as others have said, the downsides are so small compared to the upsides that it's very difficult to understand why you wouldn't [maintain an innovative approach], and very powerful for you to be able to advocate for because it is so compelling. ●

#### TO LEARN MORE

**The Blogging Revolution:**  
Government in the Age of  
Web 2.0  
by David C. Wyld



#### The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

# The Role of the Career Government During Transition: A Conversation with Sir Nigel Hamilton

*As part of its Presidential Transitions series, the IBM Center for The Business of Government recently hosted a conversation with Sir Nigel Hamilton, the head of the Northern Ireland Civil Service (NICS), focusing on the role of career government officials during transition. The session—which was moderated by Jonathan Breul, executive director of the IBM Center for The Business of Government, and included invited members from the U.S federal government’s Senior Executive Service—contributed an international perspective on the important role played by a stable career civil service during administration and political transitions.*

*Sir Nigel met with senior U.S. government public managers and the IBM Center for The Business of Government to discuss the role of career public servants in a time of change. Although the context is different, Sir Nigel’s experience offers valuable insights to government careerists in the United States. They, too, must manage large organizations in times of uncertainty, support political appointees from different parties, and are about to take on significant challenges as the current White House prepares to hand over power to the next administration.*

## On Managing in Uncertain Times

It might be useful to explain the context of what we have been through in the last 30 years and the challenges and some of the skills that have been important to us. The period in Northern Ireland particularly between 1970 and the mid-1990s was a very difficult period in time, both in security and in political terms. During that period, 3,000 people were killed as well as [there was] political instability.

We had a security dimension, a political dimension, big economic problems, and the job that nobody wanted at that time was the chief executive of the Northern Ireland Tourist Board. The big challenge for the public service at that time was simply continuing to deliver public services. We also didn’t have policy initiatives that were customized to Northern Ireland. We had British policy initiatives which were rolled out in Northern Ireland.

There is nothing worse for staff than not knowing where they are going to be in two or three years’ time. We had to manage our way through that process while we were working towards devolution.



**Sir Nigel Hamilton** is the senior career official in the Northern Ireland Civil Service, where he oversees some 29,000 civil servants and manages a budget of about £9 billion (\$18 billion). He also serves as the principal policy advisor to the political level of the government. His career has spanned the civil disturbances in Northern Ireland between 1972 and 1999, the beginning of the reconciliation process in 1999, and independent and Northern Irish political leadership taking the reins in May of 2007. Over much of this time, Northern Ireland was governed directly from London. The career civil service was in large part the “glue” holding both the government and even society together.

*Editor’s note: Since this conversation was held, Sir Nigel Hamilton has retired from government service.*

## On Key Leadership Characteristics

There were several absolutely key leadership characteristics that I think were crucial over this time. The first is to retain the vision of where we want to get to. We have a wonderful poet who won the Nobel Prize for poetry called Seamus Heaney. One of the lines, which is a mantra for me and for my staff, is: “Believe that a further shore is reachable from here.”

The second characteristic is resilience. We had to keep delivering, we had to do workarounds where necessary, and we had to support the staff at the front line and minimize the risks.

The next characteristic important for us was to be solution-oriented. We needed to be creative in terms of what we were trying to do, but we needed to find solutions to problems. It’s so easy just to identify obstacles. Forgive me for this wonderful story. After the Cold War, an American astronaut and a Russian cosmonaut were talking. And the American astronaut produced this ballpoint pen and said, “Hey, we spent half-a-billion dollars producing this pen so that we could write on the moon.” To which the Russian said, “That’s interesting; they gave us pencils.” Creativity is about finding solutions and workarounds and ways of actually achieving things.

We also had to be professional and we had to maintain standards despite the difficult times that we were and still are living through. We had to be family friendly for our staff as well.

The final requirement was to be impartial. I had a North Ireland parliament which was dominated by one party; I had a series of British ministers. In fact, I had 38 ministers in 37 years, conservative, liberal, left and right. It’s hugely important for those of us in the career government to be politically impartial, to have the trust and the confidence of ministers so that if they change, we can deal with change.

Those of you who may know Northern Ireland—I was a permanent secretary to Martin McGuinness from Sinn Féin when he was a minister, and I worked very closely with him and we had an excellent relationship about which I will never talk in public or write anything, because that relationship is key. It was Samuel Johnson who said, “Integrity without knowledge is weak and useless, and knowledge without integrity is dangerous and dreadful.” I have a series of colleagues with whom I worked who are also friends. Those friendships were extremely important, as was the trust, as was the impartiality. I am extremely proud of the Northern Ireland Civil Service.



In March 2007, Gerry Adams and Ian Paisley did a deal, and on the 8th of May, we set up a whole new administration with a legislative assembly and an executive which is an involuntary coalition. Involuntary coalitions aren’t easy to work, because in a voluntary coalition, you can be sacked; in an involuntary coalition, you have a right to be there. We did all that as a civil service without any complaints or criticisms.

That only happens through hard work and professionalism. I’m very proud to be head of a service that effected that.

## On Working with Political Appointees

Our system is considerably different from that in the United States. I am the senior official in Northern Ireland supporting the administration. I’m a career civil servant. We have 11 departments, each of which is headed by a career civil servant. There are politically appointed special advisors to every minister whose role is to handle political issues. They have an important role, and I work closely with them.

## On Transitions Between Administrations

We are adamant in the United Kingdom that the role of the civil service is to explain and to provide facts but never to defend or justify government policy. During the election, no policy announcements are made at all and nothing is done which could be construed as giving advantage to one candidate or the other. Basically, we are in a maintenance situation where we simply maintain the continued delivery of public services. If there are any emergency issues, officials take those on the basis of just what’s needed to keep public services running.

“We are adamant in the United Kingdom that the role of the civil service is to explain and to provide facts but never to defend or justify government policy. During the election, no policy announcements are made at all and nothing is done which could be construed as giving advantage to one candidate or the other. ”

— Sir Nigel Hamilton, head of the Northern Ireland Civil Service

When a new administration kicks in, we produce first-day briefs, and the first-day brief is to say to the minister: “Here is the structure, here is what we do, here is how much money you’ve got,” et cetera. We do not say, “This is our policy.” What we do say is: “This is the policy of the previous administration. Minister, what do you want us to do now? Do you want us to continue this or amend it?” Otherwise, we would find ourselves in the difficult position of civil servants being the personification of a policy initiative of a previous administration.

### **On Conveying Concerns with Proposed Policies**

We are very strong on evidence-based policy making. We assess the evidence that’s around in terms of the impact that a new policy would make. I or my senior colleagues would then go back to the minister with a submission saying, “The objective is to do X. Here are the options; here are the costs.” The minister would inevitably have a discussion about the policy and the options before coming to a view. We just don’t fire these things in out of the ether.

We get a very strong view from our program for government, the manifesto, as to what the minister wants to do, and then it’s our job to offer ways and means of doing it. In doing it,

it may well be that perhaps in option D we might explain that we tried this five years ago and it didn’t work. Ultimately, and I think this is a crucial point, it’s the minister’s decision.

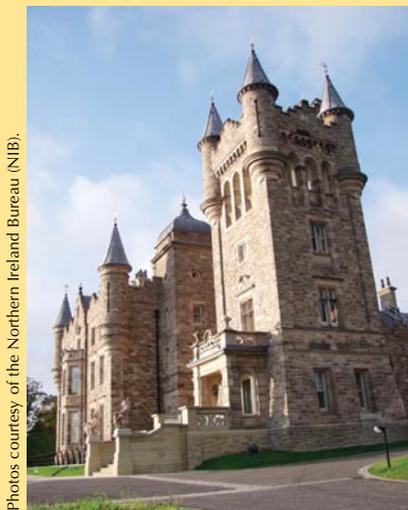
The minister justifies the decision; the minister lives by the decision. Our role is to provide as professional an analysis as we can of the options and the impact. But it’s the minister who decides, and the minister who defends the policy in the assembly or in Parliament.

### **On the Role of Honest Broker**

We play the role of honest broker, but not on political issues. My job is to keep the administration moving, ensure that we have a budget, that we have a legislative program, that we have performance management systems in place and so on. I’m very careful not to cross that line. I think it’s a difficult position for a career civil servant to end up brokering issues between politicians.

### **On Policy Versus Operations**

Civil servants are involved in assessing policy options and giving advice. Ultimately, the defense of a policy and justification for that policy is for ministers. Of course, it’s not as clear-cut as that. In fact, back home, some folk began to



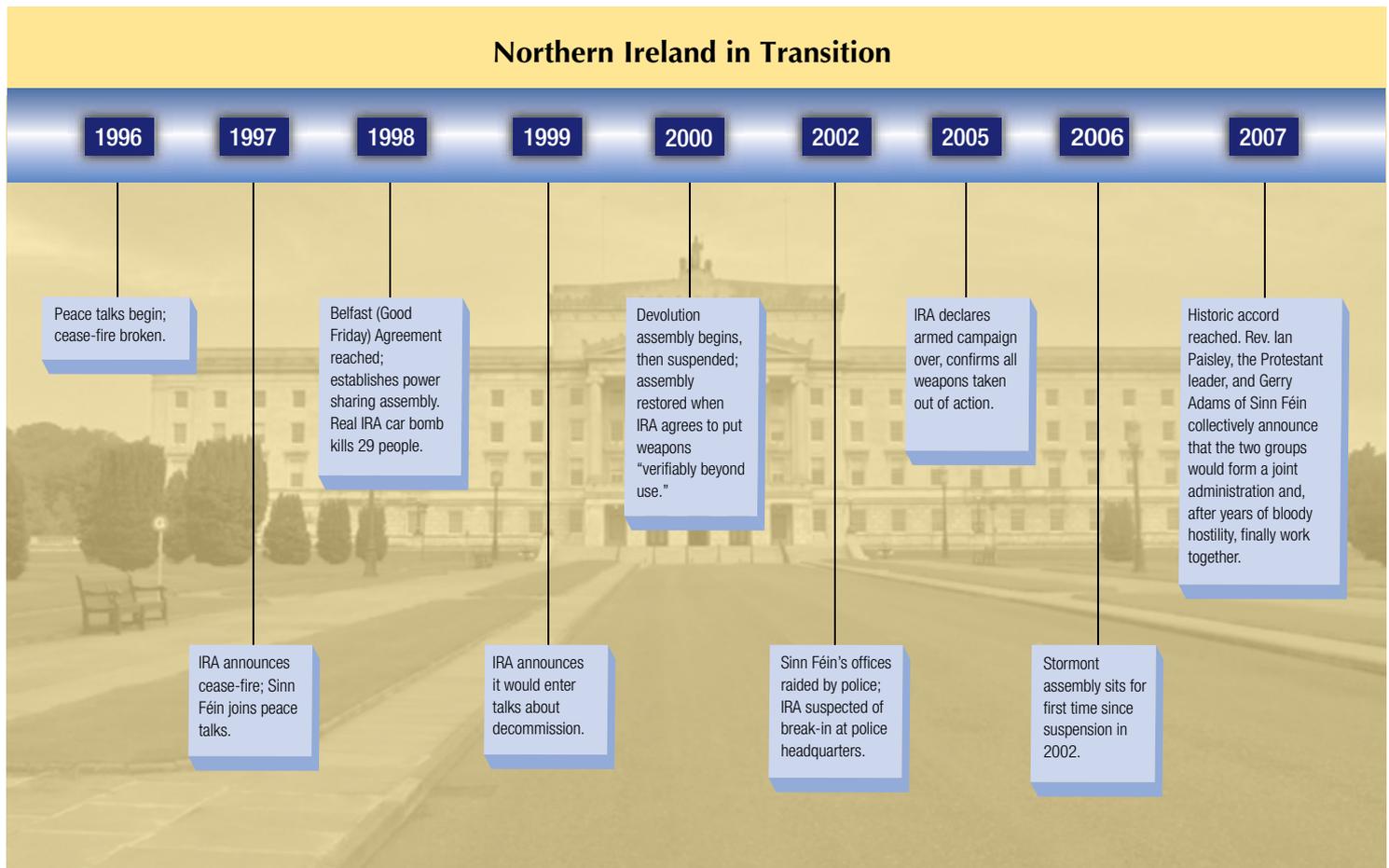
Photos courtesy of the Northern Ireland Bureau (NIB).

### **Stormont Castle Once Again the Seat of the Northern Irish Government**



*Left:* Stormont Castle.

*Right:* Northern Ireland Deputy First Minister Martin McGuinness (*left front*), First Minister Dr. Ian Paisley (*right front*), and Sir Nigel Hamilton (*behind Paisley*) at a meeting at Stormont.



confuse me recently by talking about operational policy. So there's always going to be feedback from implementation to further development of policy.

### On Internal Management Improvements

What drove our changes? There are several reasons. One, we simply looked to the total cost of having 11 departments, each doing everything. It was going to be very expensive. Secondly, we were under pressure to reduce the number of civil servants. We looked around and asked what functions could we drop, what functions could be rationalized. We want to go for a common IT platform and a common suite of business applications, but there's resistance, because everybody wants to control themselves.

To get there, we have a senior group which meets weekly. The group consists of the heads of each of the 11 departments and is under my chairmanship. We take ownership of those shared services and oversee the process.

### On Performance Management

Every single member of the senior executive at the beginning of the year must produce a set of performance objectives in

areas that we define. These include departmental objectives, corporate objectives, specific functions, HR functions, and so on. Performance objectives are set by my colleagues and approved by me or amended by me in discussion. Three things then happen: I ask them for a self-assessment of how well they have achieved their performance standard each year. Secondly, I go to their minister and I ask their minister for an assessment of their performance. Thirdly, I make a recommendation for the salary award and the bonus based on the self-assessments, the views of the minister, and my assessment of performance.

I do it for an independent remuneration committee, and I have to justify to it why Mr. A is entitled to the top rate and Mr. C gets the bottom rate and the justification. At the lower level, we do not have an independent committee, but it's based on a self-assessment and an assessment by the supervisor or the senior colleague above. We want these things quantified and we also want to know what contribution they are making.

Our performance in the Senior Civil Service every year is assessed in tranches. The top tranche, 25 percent, would

have gotten an average [pay increase] of about 6 percent. The next 70 percent would have gotten an average of 3.5 percent, and the bottom 5 or 10 percent would have gotten nothing. In fact, they would have gotten a discussion of how they are going to improve their performance. We also have separate bonuses not linked to those tranches.

### On Recruiting

The Northern Ireland Civil Service has always been regarded as an excellent employer. Three years ago, we had 5,000 applicants for 24 places. This is a changing labor market, and we will be in an increasingly competitive situation. Like everybody else, we're going to see a situation in which people will move in and move out over a period of time, and manage their own careers. I've been a civil servant ever since I left university. In 10 years' time, that won't happen; we'll have lots of people who've come in and gone out.

### Final Reflections

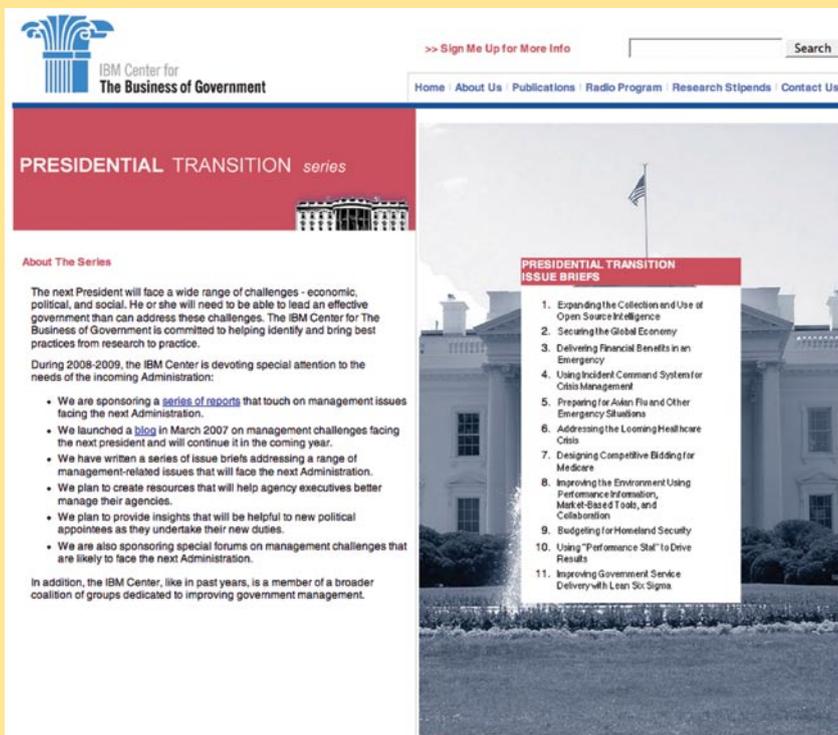
I'm most proud that the civil service during those dark days that I talked about in the beginning has serviced all in a tremendous way, so that the population outside hasn't noticed. They noticed the difference between ministers, between locally

appointed ministers, and so on, but not in terms of delivery of service. That has continued. I'm very proud of the fact that it's an impartial, highly regarded civil service. Yes, we get criticism, as everybody does. But there's still a high respect for the civil service in terms of what it does.

I learned a lesson many years ago: Never shoot the messenger. If you shoot the messenger, you'll never find out what's happening in the organization. I keep saying to my folk, "Don't surprise me with surprises. Come tell me; we'll manage our way through this."

The divided society that I spoke about is still a divided society in terms of where a lot of people live. We've got to work through to where there's a shared view of community, there's a shared view of where Northern Ireland wants to be ultimately. I think that's the real challenge. We operate in a global world.

After I'm retired, I want to serve and promote the virtues and the values of the civil service. I'm hugely proud of what we've done in our context and I guess you would want to do the same in your context, too. ●



### The Presidential Transition Series

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Please visit our website at [www.businessofgovernment.org/transition2008/](http://www.businessofgovernment.org/transition2008/).

## Ending Chronic Homelessness: A Conversation with Commissioner Robert Hess

*All across America, small towns and large cities are facing the social realities of homelessness and the steady increase in demand for homeless services. While providing shelter and services to those in need is critical, the national conversation is shifting from managing to ending homelessness, especially chronic homelessness. New York City has embraced such a goal, and has begun to reshape and expand its services to prevent homelessness in a more comprehensive and coordinated way than ever before. From a system that did little more than provide cots and meals to single adults and families, it is now recognized nationally and internationally for providing quality shelter and related services in humane settings, with a client-centered philosophy.*

*As part of our continued effort to engage state and local government executives who are changing the way government does business, we spoke with Robert Hess, commissioner of the New York City Department of Homeless Services (DHS) about his efforts in this area.*

### **On the Mission and History of New York City's Department of Homeless Services**

The Department of Homeless Services in New York was created in the early '90s. Before that, we were part of the Human Resources Administration in the city. Its mission is to support individuals and families that are experiencing homelessness in our city, and to help them move from the experience of homelessness back into the community with whatever supports they may need to support them in the community. The department has a budget of just under \$1 billion a year. We have over 2,300 employees within the department, and we contract out for services that include about another 20,000 employees, which we pay for through contracts across the city in order to support people experiencing homelessness. I'm very, very focused in the [Mayor] Bloomberg administration on the mayor's vision—it's the vision of the mayor that we reduce the number of people sleeping on our streets and we reduce the number of people living in our shelters by two-thirds or more before midnight on December 31, 2009, so we're very clear in our mission and our vision. And everything we do in the department is



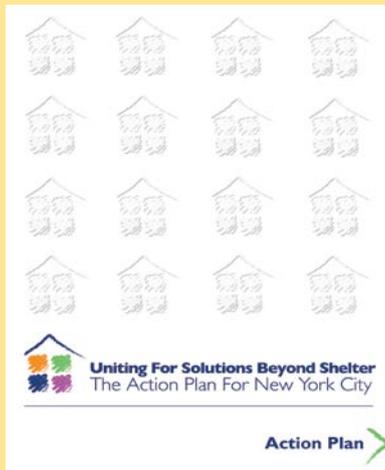
Photo courtesy of the Department of Homeless Services, New York City.

Robert Hess, Commissioner, New York City Department of Homeless Services.

geared toward not managing homelessness but ending it, and so we're very focused on those objectives.

### **On Mayor Bloomberg's Five-Year Plan to End Chronic Homelessness**

The mayor and then-DHS Commissioner Linda Gibbs, who's now deputy mayor, really spent a lot of time engaging leaders across New York in order to bring them together to think through the kinds of strategies we need to move from managing homelessness to ending it—and set some very aggressive targets. The group came back and developed a plan that would [achieve] a two-thirds reduction in both the number of people in the streets and in our shelter system within 10 years. The mayor reviewed that plan and said, "The plan is great, it's exactly what we should be doing, but I [Mayor Bloomberg] don't have 10 years. We have term limits here in New York. I've got five years left." In just a few minutes, the plan went from a 10-year plan to a five-year plan because the mayor said we need to make ourselves accountable for



## Uniting for Solutions Beyond Shelter: The Action Plan for New York City

“In November 2003, Mayor Bloomberg convened an unprecedented group of public, private, and nonprofit leaders to develop a multi-sector strategy to end homelessness as we know it in New York City. From November 2003 through April 2004, a 41-member coordinating committee as well as hundreds of task force participants worked to produce the nine-point strategy outlined in this action plan.”

*Source:* [www.nyc.gov/html/endinghomelessness/downloads/pdf/actionbooklet.pdf](http://www.nyc.gov/html/endinghomelessness/downloads/pdf/actionbooklet.pdf)

this and not leave this important work to any future administrations—the timelines accelerated very quickly.

We have learned that this plan needs to be dynamic. The strategies are changing by the month. I don’t think that there are many of the initial strategies that we have not replaced with new and improved versions or just very new and creative ideas. Let me give you an example. I was surprised to learn very early on in my tenure that we had 800 individuals in the shelter system that had been in shelter for between eight and 20 years. Can you imagine living in a shelter system in any city in this country for the better part of a generation? Once we recognized that, we then went to work in an aggressive way—a 100-day initiative to place all of those individuals into permanent or permanent-supportive housing. We did it. We then found that we had 46 families that had been in our system for more than five years. In that same 100 days, we moved those 46 families into permanent housing.

We’ve made progress, but that particular strategy could not have been foreseen by those developing the [original] plan. It was only digging deep and drilling deep into the data to understand who was in our system that allowed us to identify those populations, develop strategies very quickly, enact those strategies, and then get that job done. The beauty of this kind of technique, however, is that we then learned things that we can apply to other families in our system.

### On the Challenges to Ending Chronic Homelessness

I think the biggest challenge is to figure out the strategies that we need to actually get to the kinds of reductions we’re talking about. So with respect to people living on our streets

that are experiencing chronic homelessness, we’ve had to develop a whole new set of strategies ... to include much better access to housing directly from the streets, and the supportive services that support people in that housing. With respect to the shelters, we’ve had to develop a whole new set of rental subsidy programs to help people move quickly out of the shelter system and back into the community with the support that they need—these strategies are a little different based upon the population, or where people are starting from, but the biggest challenges are really understanding what it will take to help create the reductions in homelessness that we’re trying to achieve.

We recently created four new housing subsidies. We don’t have a one-size-fits-all population, and so we’ve got four new strategies. We call them the “Advantage New York” suite of housing subsidies. We’ll spend \$129 million this year on those housing subsidies alone. But they will allow people to move out of shelters more quickly, move back into the community, get the support that they need to become self-sufficient or move toward self-sufficiency, and we think that’s very important.

We have added a lot of money to community-based prevention sites. And so we will be spending about \$20 million a year to develop these community-based sites. And we’ll be attaching Section 8 subsidies and other subsidies to those sites. So these are some of the kinds of big-ticket items that we’ve put into place to help move us toward our [long term] objective—[ending chronic homelessness].

### On Understanding At-Risk Populations

There’s no question that the largest majority of people experiencing homelessness are women and children, families with

children. The second largest group is single adults, although that's also the group that we're having the most success in eliminating homelessness. The smallest group is adult families, or what we call "couples."

Since the mayor announced the five-year plan, we've seen a 19 percent decrease in single adults. And we're actually at the lowest level with single adults in our system that we've been since 2002, and we're continuing to go down. And so we feel very, very good about that. We've seen a 25 percent decrease in the number of individuals, primarily single males, living on our streets since 2005. The number of adult couples saw a 26 percent reduction from May 2007 to April 2008. The average monthly census for families with children in shelter decreased from 8,128 in October 2007 to 7,756 in February 2008—a 5 percent decrease.

### On a New Homeless Outreach Strategy

This is very exciting. Upon arriving in New York, I spent a night a week for the first couple of months on the streets across the five boroughs with various outreach teams—to watch our outreach teams in action. I concluded we had a lot of well-meaning outreach teams doing the best they could with limited resources, without any ability to collect or share data in a meaningful way, without access to the kind of housing resources which they needed to help people move off the streets. It was clear to me that we weren't going to [achieve] our target of reducing [those living on the streets] by two-thirds.

I'll spend a minute just telling you what we did about that, because I think it's instructive of how we do business. I couldn't even figure out, because these contracts were across various city departments, how many outreach teams we had. I decided to hold a meeting one morning and invite every outreach team to the meeting. The only ticket to admittance was you [had to be] a line outreach worker—you worked on the streets. No supervisors, no managers, no executive directors. It turns out 160 outreach workers showed up.

I said to them, "Look, our vision's very straightforward. There are 4,200 people living on the streets today. Before midnight on December 31, 2009, we need to get down below 1,429. Tell me how to do it. Tell me what works and what doesn't work. What would you need to accomplish that lofty objective?" I spent the next couple of hours listening to outreach workers, captured it all on flipcharts, sent all the outreach teams to lunch, reorganized the charts in priority order. And then when they came back from lunch, we said, "Go vote for the things you think we should do or [are] the highest priority." In the afternoon, we invited the outreach



Mayor Michael R. Bloomberg (center) and Department of Homeless Services Commissioner Robert V. Hess (left) announce that street homelessness in New York City is down 12 percent since last year and 25 percent since 2005.

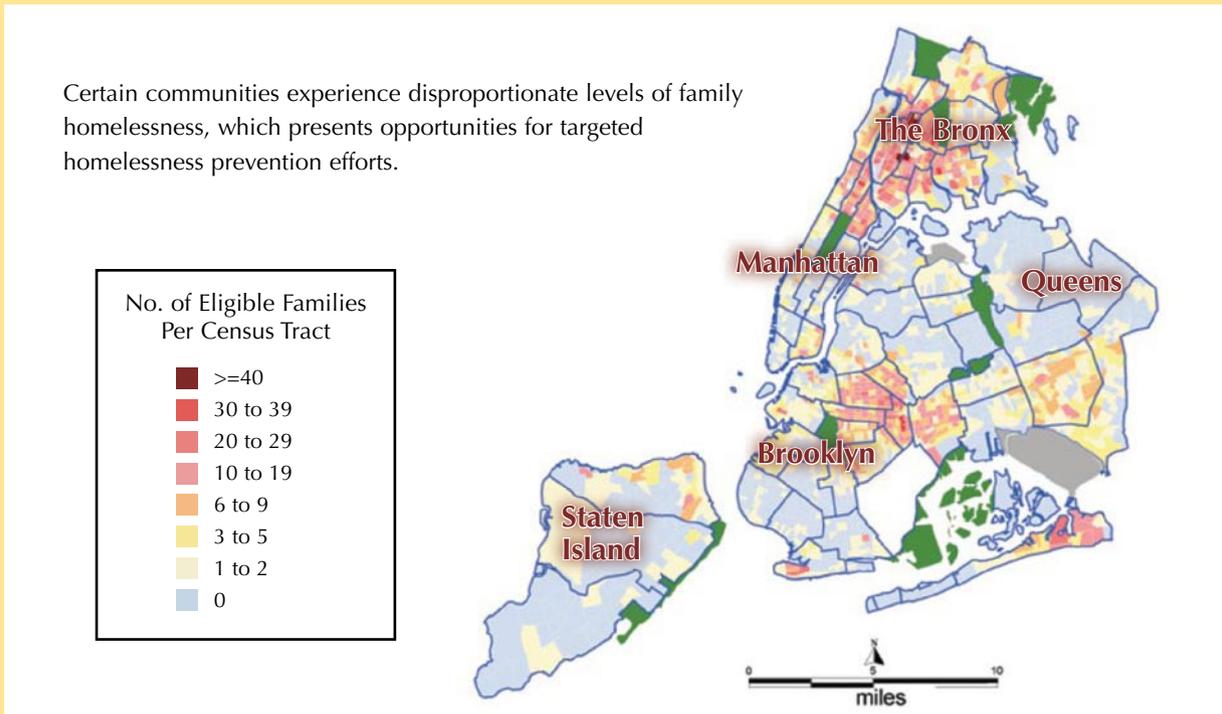
Photo courtesy of the Department of Homeless Services, New York City.

workers back in with all the supervisors, the directors, the executive directors. [I said:] "In order to get from 4,200 to 1,400, we'll never get there doing what we're doing for these reasons, so here's what we're going to do. I'm going to terminate all your contracts and we're going to put out a new concept paper and then a new RFP and have organizations apply. We're going to have one single point of accountability in each borough with a plan. It can be a multidisciplinary plan. You can have as many subcontractors as you want, but we're going to fund a plan that will get us to the target by the specified time in each borough of this city."

There was a little bit of grumbling, [but] once we got beyond that, a remarkable thing happened—providers started talking and working together to develop these plans. What came out of it was an amazing competition. It took the better part of a year, but today in place in this city on the streets are very innovative, very cooperative, resource-rich efforts with absolute plans, with absolute targets in every borough, one single point of accountability, so now we're organized in a way to get the job done.

While we went through that process, though, we couldn't lose any time, and so we did two additional things. The first thing we did is we began work on a handheld wireless device, which every outreach worker can now have, that collects and shares data in real time—they can do it once, get that data in, and share it. The other thing is we've got encampments [makeshift "housing"] in this city that are just a disgrace.

### Where Homeless Families Come From (FY 2003)

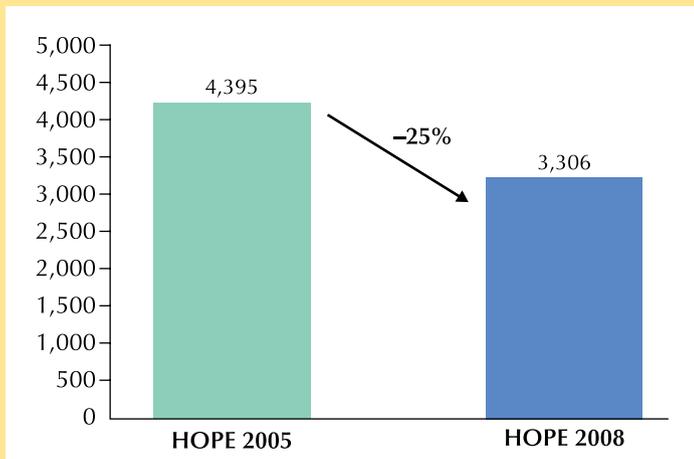


Source: Vera Institute of Justice and DHS administrative data.

We took pictures of all 72 encampments across the five boroughs. Went to the mayor and he said that’s not good. What are we going to do about these encampments? We wanted to get all city departments working together and outreach teams,

and go out and end the need for anybody to sleep in these unhealthy encampments. The mayor said do it; gave us a year to do it. We did it in six months. Every now and then, one will spring up and we’ll go address it very quickly, but we used the lessons learned to inform [our] new strategies.

### Unsheltered Population Declines 25 Percent Since 2005



Source: Homeless Outreach Population Estimate (HOPE) 2008: The NYC Street Survey. The HOPE survey is conducted annually in January to produce an accurate estimate of the total number of unsheltered individuals on the streets and in the subway system.

### On ‘An Ounce of Prevention Is Worth a Pound of Cure’

What we did in prevention is we looked across the city and we said we’ve have six community districts [that represent] a very high percentage of people in our shelter system. We put what we call “home-based” or “community-based” prevention centers in each of those six community districts. We gave providers a wide [ability] in how they could use the money we gave them to prevent people from having to enter the shelter system and help people stay in their homes. Here’s what happened: In those six community districts, the percentage of people entering the shelter system went down, while at the same time the community districts that did not have prevention services available to them, sadly, went up. What did we learn from that? We ought to have prevention all over the city. So we’ve put home-based, community-based prevention in all of those locations across the city, so we can support anybody that needs it, and try to bring down the number of people entering a shelter from across



Photo courtesy of the Department of Homeless Services, New York City.

Commissioner Hess (right) helps cut the ribbon at the renovated drill floor in the Park Slope Armory, a new recreation center which will serve the local community. The armory also serves as a shelter for single women.

vision and help them succeed—the freedom to take calculated, well-measured risks is very important. We’ve got to be able to think very differently, very creatively, figure out what’s working and keep doing what’s working, figure out what’s not and stop what’s not working. I think at the end of the day, probably the biggest thing is support our staff; be very clear on our vision, our objectives, our timelines; and do everything we can to communicate that over and over and over again, and stay focused on where we’re going.

### On Private-Public Collaboration

In New York City, we have some of the best nonprofit providers in the country, which makes our job much easier—when you can reach out and contract with a provider [who] you know is going to get the job done.

I mean, government, the best of governments, can’t do very much by itself. We really need the public support. We really need the nonprofit community working closely with us in support of our goals. We really need the business community, the foundation community, the academic community, all working toward common visions when you have visions that are as bold and aggressive as we have in this city. ●

the city—a much better outcome to intervene on the front end and help people stay in their housing.

### On His Leadership and Management Approach

I think the number one thing that has influenced my management style, my leadership style, my thought process in creating programs and policy is that in order to understand a problem, in order to understand what’s really going on with somebody living on the streets or living in a shelter, you really need to sit down and talk to people that are experiencing that situation and better understand, then shape programs to support them.

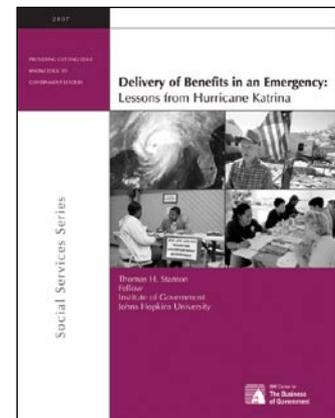
Beyond that, I think in any organization, no matter how small or large, there are some things that are very clear. It rests on the idea of empowering the experts, the professionals, within any organization, to be able to move toward a common

#### TO LEARN MORE

**Delivery of Benefits in an Emergency:** Lessons from Hurricane Katrina  
by Thomas H. Stanton

**The report can be obtained:**

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- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375



# Roy A. Bernardi

Deputy Secretary

U.S. Department of Housing and Urban Development

By Michael J. Keegan

## Reaching Out to Homeowners in Need

Throughout its history, the U.S. Department of Housing and Urban Development (HUD) has sought to increase homeownership, support community development, and increase access to affordable housing. As HUD's deputy secretary, Roy Bernardi is the chief operating officer of a department with about 8,600 employees and an annual budget of approximately \$36.9 billion, which includes a presence in 82 different field offices throughout the U.S. and its territories.

His primary responsibilities involve improving accountability within HUD's programs and among its grant partners, overseeing the attainment of program goals, and assuring adequate resources are used to attain them. "It is basically [managing] day-to-day operations ... making sure that every dollar that we're utilizing is given to the people that need it most," explains Bernardi. He is no stranger to leading the delivery of critical services to constituencies. Prior to his current role, Bernardi served as the 51st mayor of the City of Syracuse, New York. "Being mayor of any city is the nicest job perhaps that anyone could want, because you're right there with the people.... You go into a grocery store, you're on the street, everyone has a condition or a circumstance that they want addressed," reflects Bernardi.

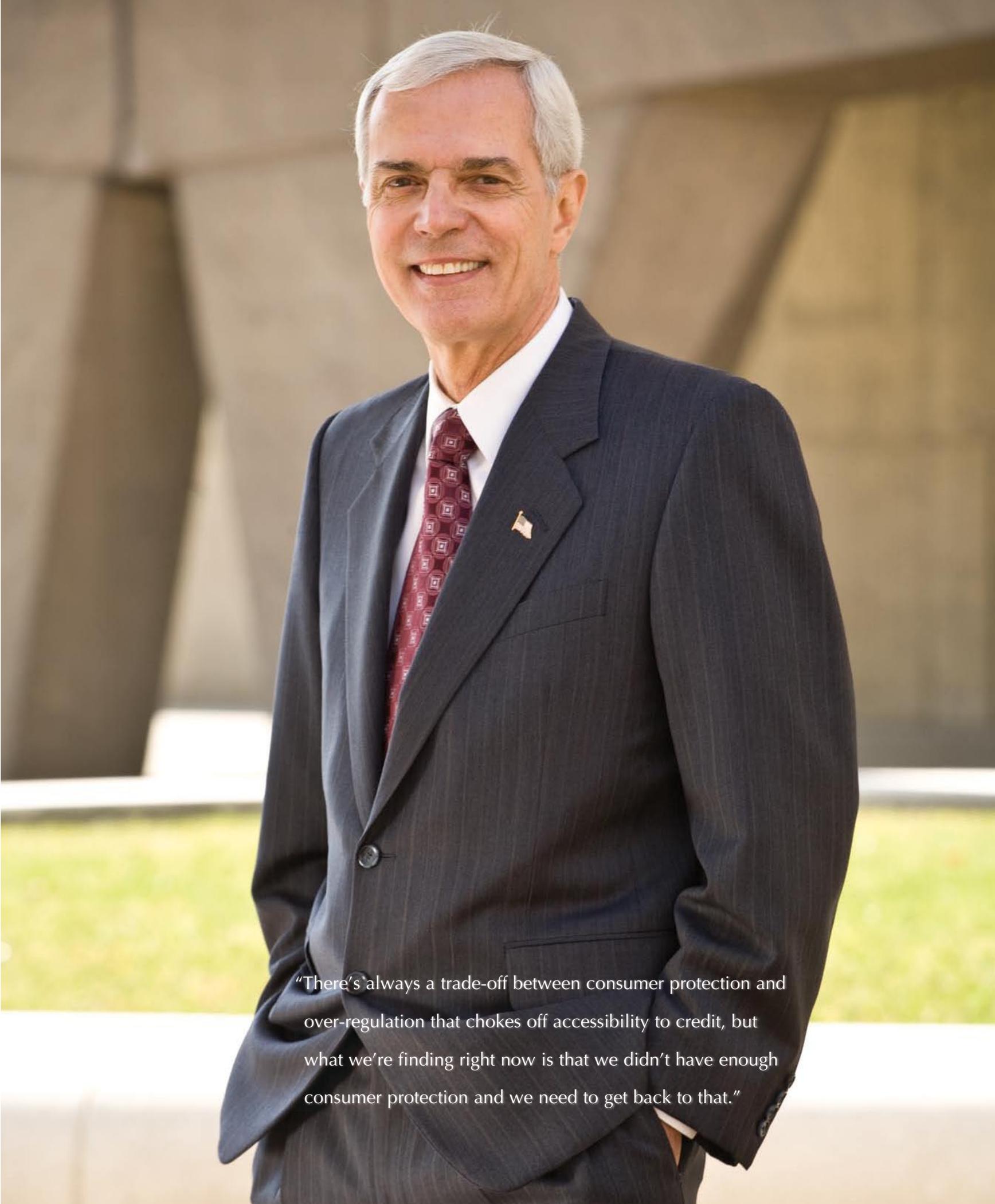
Today, given the current housing mortgage crisis, many people find themselves in a circumstance that may require federal assistance. HUD continues to play a critical role in the federal response to the crisis in the aftermath of the subprime mortgage collapse. With home appreciations dramatically outpacing affordability, access to fairly low interest rates, and investors' appetite for higher-risk mortgage products, the housing market has been on a precipice for several years. "Unfortunately, I think many of the due diligences that needed to be done were not done. People just continued to push," notes Bernardi. This trend would crest, but its effects continue to plague the national economy, placing great stress on the access to credit markets. He describes how "many families steered into subprime loans would have been better off with

### CAREER HIGHLIGHTS

- Assistant Secretary, Community Planning and Development, U.S. Department of Housing and Urban Development
- Mayor of the City of Syracuse, New York

a safe and affordable FHA [Federal Housing Administration] loan product." Since the 1930s, FHA has offered government-secured 30-year fixed mortgages requiring only 3 percent down. Bernardi points out that, unfortunately, these FHA products "became passé back in '04, '05, and '06. Everyone else had a better product than FHA." He further explains how the more stable FHA loan products began to lose their appeal as other riskier mortgage products began to take hold. "Our loan limits [are] controlled by statute, [our products] could not keep up with the home price inflation, and FHA lacked the flexibility to provide new and competitive loan products."

Though Bernardi acknowledges that some borrowers with subprime and exotic loans knew what they were getting into, others may not have and now find themselves in a difficult situation. In response, HUD, along with the U.S. Department of the Treasury and the private sector mortgage market, is working to remedy the fallout. HUD has a number of different programs available to assist homeowners who find themselves in a precarious situation. One such program, HUD's *FHASecure*, helps homeowners avoid foreclosure. "We believe we can help hundreds of thousands of homeowners who are in trouble through a temporary initiative designed for families who are good credit risks, but were steered into adjustable-rate mortgages with interest rate resets that raised their mortgage payment to a level they could no longer afford," says Bernardi. This initiative expands FHA guidelines permitting lenders to originate an FHA-insured new mortgage for delinquent borrowers affected by interest rate resets, without subjecting taxpayers to risk. "Since



"There's always a trade-off between consumer protection and over-regulation that chokes off accessibility to credit, but what we're finding right now is that we didn't have enough consumer protection and we need to get back to that."

“Our loan limits [are] controlled by statute, [our products] could not keep up with the home price inflation, and FHA lacked the flexibility to provide new and competitive loan products.”

September of last year, more than 360,000 applications have been received for *FHASecure* and more than 160,000 secure loans have already closed, so this is one way we’ve been able to provide assistance.”

He underscores that both former HUD Secretary Jackson and Treasury Secretary Paulson have been forceful advocates for a strong private sector response to this nationwide problem. “Together, the two secretaries have encouraged 26 of the nation’s largest mortgage [providers], representing about 90 percent of all mortgage loans, to join together with HUD-approved housing counseling agencies, major investors, and industry trade groups to create comprehensive and coordinated programs to avoid foreclosures and stabilize homeownership,” says Bernardi. Project Lifeline represents another outreach strategy. “[It] targets seriously delinquent borrowers who are facing foreclosure and offers them another chance. If a borrower responds to a Project Lifeline letter, the lender will delay initiation or continuation of a foreclosure for at least 30 days to allow time to work out a solution,” he explains.

“Two years ago, we realized that FHA modernization needed to be done,” notes Bernardi. HUD continues to push for FHA modernization, which entails increasing loan limits and enhanced down payment flexibility. The proposed plan will reduce statutory barriers and increase FHA’s flexibility to respond to market changes, permitting FHA to offer lower risk and lower cost alternatives to subprime loans. “There’s always a trade-off between consumer protection and over-regulation that chokes off accessibility to credit, but what we’re finding right now is that we didn’t have enough consumer protection and we need to get back to that,” he says.

HUD has had a critical role in the federal response to the Gulf hurricanes. “HUD has worked with its federal, state, and local partners throughout the affected Gulf Coast to design and deploy housing economic development infrastructure programs ... working with FEMA [the Federal Emergency Management Agency], we put together the Disaster Housing Assistance Program. We were able to help families locate a safe place to live, rebuild their lives, and get on the path to self-sufficiency,” explains Bernardi.

This challenge also helped drive innovation with the creation of the National Housing Locator System. This system merges federal housing resources with commercial housing locators to create a single outlet for locating rental housing around the country: “That’s a one-stop shop for families in need of a place to live as a result of a disaster.”

HUD has done its best to improve itself as well. Once referred to as the “ugly duckling” of the federal government, Bernardi admits: “We had a lot of corrective work to do ... we developed a general strategy that addressed management infrastructure issues, focusing on performance, not just compliance.” HUD overhauled two of its major programs; it improved FHA’s lending process for its Single-Family Housing Mortgage Insurance, and improved its program guidance, training, and automated systems for its Rental Housing Assistance Program. These efforts have had positive results, leading to HUD’s removal from the Government Accountability Office’s high-risk list after almost 14 years as well as its continued improvement on the President’s Management Agenda government-wide initiatives.

“I always believe that you set a goal, you have an objective, let people know what it is, and then you let them do it. Don’t get in the way—if you want success, you have to choose good people, [and] give them the authority to do the things that need to be done,” he admits. “Public service is a great career. I would encourage anyone—especially the younger folks—to take a look at it. It’s an exciting time.” ●

To learn more about HUD and its programs, go to [www.hud.gov](http://www.hud.gov).



To hear *The Business of Government Hour’s* interview with Roy Bernardi, go to the Center’s website at [www.businessofgovernment.org](http://www.businessofgovernment.org).



To download the show as a podcast on your computer or MP3 player, from the Center’s website at [www.businessofgovernment.org](http://www.businessofgovernment.org), right click on an audio segment, select Save Target As, and save the file.



To read the full transcript of *The Business of Government Hour’s* interview with Roy Bernardi, visit the Center’s website at [www.businessofgovernment.org](http://www.businessofgovernment.org).

# Elaine C. Duke

Deputy Under Secretary for Management  
U.S. Department of Homeland Security

By Lauren Kronthal

## Supporting a Dynamic Mission

The creation of the U.S. Department of Homeland Security (DHS) represents one of the largest reorganizations in government since World War II. Its mission consists of five priorities: to protect the nation from dangerous people; protect the nation from dangerous goods; protect the critical infrastructure; build a nimble, effective emergency response system and a culture of preparedness; and strengthen and unify DHS operations and management.

According to Elaine Duke, deputy under secretary for management at the U.S. Department of Homeland Security, “building a nimble, effective emergency response system and a culture of preparedness is key to anticipating homeland security needs.”

Since its establishment almost five years ago, DHS has been faced with assembling 22 separate federal agencies and organizations, with multiple missions and cultures, into one department. This mammoth task involves a variety of transformational efforts—one of which was the design and implementation of structures and processes for the acquisition of goods and services. Previous to becoming deputy under secretary, Duke spearheaded this effort as chief procurement officer at DHS.

Regarding the scale of operations at DHS, Duke notes: “The geographic footprint is worldwide. We have about 208,000 employees, and the budget for Fiscal Year 2007 was \$42.8 billion. The organizational structure is made up of a headquarters with both the traditional headquarters activities and four distinct directorates with operational focus. That’s the National Preparedness Directorate, Science and Technology, the Under Secretary of Management, and FEMA [Federal Emergency Management Agency].... We also have six operational components: the Transportation Security Administration (TSA), Customs and Border Protection, U.S. Secret Service, U.S. Customs and Immigration Service,

### CAREER HIGHLIGHTS

- Chief Procurement Officer, U.S. Department of Homeland Security
- Deputy Chief Procurement Officer, U.S. Department of Homeland Security

*Editor’s note: Ms. Duke was recently nominated to be under secretary for management at the Department of Homeland Security. At the time of publication, her nomination was still awaiting U.S. Senate confirmation.*

Immigrations and Customs Enforcement, and the United States Coast Guard.”

When asked how procurement supports the execution of the DHS strategic mission, Duke explains: “It’s through our acquisition programs. In some agencies, procurement really is just ancillary to direct mission support. In the Department of Homeland Security, many of our key mission elements are supported by an acquisition program. For instance, under our Secure Border Initiative, one major acquisition program, the SBInet program, has the scope of securing 6,000 miles of border. Similarly, TSA has a series of acquisitions programs, both the explosive detection for baggage and the screening of people. We also have FEMA, where all our preparedness is done through a series of contingency contracts. Each one is direct mission through our partnerships with industry and acquisitions.”

In her previous capacity as chief procurement officer, Duke “had functional responsibility to [the nine] heads of contracting throughout DHS. I’d set policy, perform oversight and review, and [acted as] staff advisor on procurement and acquisition issues to the secretary and deputy secretary.”

“Procurement is really the business deal. There are three priorities: build the acquisition workforce, make a good business deal, and [oversee] contract administration.



"I think that if the federal government is change, we're change-squared.... Rather than trying to eliminate change or stabilize, I think our focus has to be on: How are we going to manage change? How are we going to plan things?"

“Many other major departments have challenges in their mission—but a basically stable mission. Our major foe is small terrorist groups who have a very nimble and quick adaptation to us securing any kind of threat. So the minute we have something in place to deal with one threat, they’re on to the next threat much more quickly than some of our traditional defense enemies.”

Making a good business deal is making sure we have the right price, right intellectual property, and the right technical requirements. Contract administration is everything from the minute the deal is signed through closure of the contract.”

The challenges for DHS are different. “Many other major departments have challenges in their mission—but a basically stable mission. Our major foe is small terrorist groups who have a very nimble and quick adaptation to us securing any kind of threat. So the minute we have something in place to deal with one threat, they’re on to the next threat much more quickly than some of our traditional defense enemies. So we’re going to have a dynamic mission. And because acquisition is something where you plan for it, and often have long-term requirements, we have the challenge of developing acquisitions, and acquisition strategies, flexible enough to adapt to our changing mission—yet have the appropriate controls [in place] to ensure we’re getting a good business deal.”

One of the most profound events to impact the department, the government, and the nation overall in the last couple of years was Hurricane Katrina. “I think the first lesson we learned [from Katrina] was the importance of advance acquisition planning,” explains Duke. DHS sought to improve its staff and contract planning capacity in advance of another natural or man-made disaster. “FEMA has been very successful in putting contracts in place that will allow for initial emergency response transitioning into local contracts for recovery, and that’s very important. The second area, on the people side, is having a workforce that can augment FEMA’s workforce or whoever is managing a disaster. ... we’re training federal-wide contracting personnel to be able to augment in case of a huge natural or other disaster.”

DHS has focused efforts on strategic sourcing—specifically, seeking to create savings, process improvements, and increased socioeconomic participation. The Enterprise Acquisition Gateway for Leading Edge (EAGLE) contract vehicle is intended for agency-wide IT support services. FirstSource, a small business set-aside, is the vehicle for buying technology commodities. Both are very successful.

“First, they support our enterprise architecture. We are bringing DHS into a one DHS, and it’s important that our enterprise architecture is in place.... The second reason, we really worked closely with industry during the formation stage.... We have about 100 orders already pending and almost 70 already awarded for a total of almost \$800 million. In FirstSource, we have well over 200 orders already awarded and another 50, 60 in play.... So those numbers just show its successes.”

Looking at the opportunities and challenges that DHS will face in the future, Duke observes, “I think that if the federal government is change, we’re change-squared.... Rather than trying to eliminate change or stabilize, I think our focus has to be on: How are we going to manage change? How are we going to plan things?” Duke points out that with time “we’ll have more discipline of process. And what I mean by that is the key to success is optimization.... I think when it comes to flexibility versus discipline of process, the key really is optimization and how much is enough—the right amount of discipline, so we have some standardization where standardization is appropriate.” Given the dynamic nature of DHS’s mission, the reality is that DHS will need to be a cohesive yet nimble organization.

“I think that the focus,” reflects Duke, “is on how you bring people together, how you stay focused on a solution, how you cut through obstacles, and know when enough talking is enough and when it’s time to make a decision. I really think that this is something that we can benefit from.... It drives [us] towards mission fulfillment, which is why we’re all here.” ●

To learn more about the Department of Homeland Security, go to [www.dhs.gov](http://www.dhs.gov).



To hear *The Business of Government Hour’s* interview with Elaine Duke, go to the Center’s website at [www.businessofgovernment.org](http://www.businessofgovernment.org).



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# Tyler D. Duvall

Assistant Secretary for Transportation Policy and  
Acting Under Secretary for Policy, U.S. Department of Transportation

*By Michael J. Keegan*

## Developing Innovative Approaches to Traffic Congestion

Today, transportation congestion represents a serious threat to the U.S. national economy and affects virtually every aspect of our lives—where we live, where we work, where we shop, and how much we pay for goods and services. According to the Texas Transportation Institute, road congestion annually results in 3.7 billion hours of travel delay and 2.3 billion gallons of wasted fuel. Whether it's trucks stalled in traffic, cargo stuck at overwhelmed sea-ports, or airplanes circling over crowded airports, congestion costs Americans an estimated \$200 billion a year, according to the U.S. Department of Transportation (DOT). More importantly, it robs us of productivity and one of our most valuable resources: time. DOT has recognized the effects of congestion and has begun to focus resources and devise innovative approaches to reverse the effects of system congestion while also forging a vision of a transportation system for the 21st century.

Tyler Duvall plays a critical role in making this vision a reality. In his capacity as assistance secretary for transportation policy and acting under secretary for policy, he provides policy advice and strategic direction on such issues as transportation congestion and other surface transportation (i.e., highways, roads, bridges, tunnels, and port and marine facilities) initiatives to Secretary of Transportation Mary Peters. Duvall recognizes the important role his office has in the department. Given DOT's extremely broad mission, "the single biggest challenge for the department in its 40-year life is to really integrate all modes of transportation under a common idea and common policy," explains Duvall. Recently, his office has sought to do just that by taking the lead on developing, advocating, and implementing the department's Congestion Initiative, which seeks innovative and more effective ways to meet America's future transportation infrastructure needs. Though "we don't have significant budgetary resources, we have a significant mission: to really make sure we know everything that's going on in the

### CAREER HIGHLIGHTS

- Acting Assistant Secretary & Deputy Assistant Secretary for Transportation Policy, U.S. Department of Transportation
- Special Assistant to the Assistant Secretary for Transportation Policy, U.S. Department of Transportation
- Associate, Business and Finance Group, Hogan and Hartson, LLP

department at all times. It is a classic case of policy interacting with ... day-to-day operations, and I think Secretary [Peters] relies extensively on our office to make sure she knows what's going on in the department at all times," says Duvall.

It is his access, coupled with a passionate sense of purpose, that makes Duvall such an effective champion of DOT's Congestion Initiative. Unveiled in May 2006, the initiative involves such core elements as congestion relief programs, public-private partnerships, technological and operational improvements, and aviation capacity increases. In concert, these elements seek to reduce congestion in the short term while also building a framework for longer-term innovative solutions. For Duvall, it is critical to understand the root cause of congestion prior to discussing its remedies: "I think it's important to note why we have congestion. It's a basic supply-and-demand imbalance in which you have a fixed set of supply [with] too much demand relative to the available supply at certain periods of the day. It results in lines. We saw those lines in the '70s when we had rationing of gasoline. We see those lines in other areas of the economy in which there's too much demand at a given level of supply," explains Duvall.

Congestion pricing (also known as value pricing), a critical tool in DOT's Congestion Initiative, represents an attempt to



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“ I think it’s important to note why we have congestion. It’s a basic supply-and-demand imbalance in which you have a fixed set of supply [with] too much demand relative to the available supply at certain periods of the day.”

balance demand and supply by charging drivers more to use a roadway, bridge, or tunnel during peak periods. According to Duvall, “The prices will vary based on traffic levels, so in peak periods of the day, prices can rise substantially, and in other periods of the day, prices can be reduced substantially. We can now basically charge drivers the true cost of driving ... of being on a highway during peak periods.” He believes this is a far more efficient way than the alternative, which is rationing or queuing.

He points out that people are highly price-sensitive, and preferences are very different for time and reliability among drivers. In fact, according to Duvall, a recent study found that on average about 40 to 45 percent of the people on a rush hour highway in an urban area are not commuting to work but taking some other trip. “If you give [drivers] opportunity to shift trip times between an hour or two, you see huge increases in traffic speeds.... [But] without some price mechanism, we have no means to basically differentiate among people’s preferences,” underscores Duvall. By providing incentives for drivers to shift trips to off-peak periods and use less congested routes, congestion pricing seeks to spread demand among available transportation infrastructure. It also has the potential to create other benefits, such as generating revenue to help fund transportation investment.

Through the use of Urban Partnership Agreements (UPAs), DOT is partnering with metropolitan areas to demonstrate the effectiveness of congestion pricing strategies. Duvall describes the four key strategies pursued under such agreements as the “4 T’s”: “tolling, variable pricing of highways; telecommunications, technologies basically to provide better information; transit, to basically provide more efficient use of transit during rush hour; and then telecommuting, encouraging employers to use flex scheduling.” According to Duvall, 26 cities applied for funding. DOT selected five major U.S. cities—New York, Seattle, San Francisco, Minneapolis, and Miami—to receive funding to implement congestion pricing strategies. If international experience is any indication, then congestion pricing has demonstrated varying decreases in the level of congestion on roads and some significant shifts

to other alternative modes of transportation in such cities as London, Singapore, and Stockholm.

Congestion pricing presents equity issues given the potential effects of surcharges or tolls on lower-income drivers. Yet, economists note that even if the burden of congestion charges is greater on low-income households, the same is true of fuel taxes and sales taxes, which are paid by users and non-users of transportation systems. “We’re seeing in major metropolitan areas [that] congestion is driving up housing prices, forcing middle- and low-income people to live further away, so it’s not clear at all that low-income people are doing particularly well under the current approach,” says Duvall.

For Duvall, “this is one of the most exciting and fascinating areas of policy in all of government ... and I think it’s one of the most important policy issues. ... we need to bring forward a culture of systems management, managing more efficiently, expanding capacity, recognizing that technology can supply huge increases in efficiency with relatively little cost.” He recognizes that the success of such transportation strategies, such as congestion pricing, depends on more public engagement and acceptance. “We’d really like to stimulate a lot more public engagement on this and to really start to change this mind-set that congestion is not a solvable problem,” says Duvall. “[Though] they broadcast traffic and weather together, weather may be a somewhat unsolvable problem, but we think traffic is a very solvable one.” ●

To learn more about the Department of Transportation’s congestion pricing efforts, go to [www.fightgridlocknow.gov](http://www.fightgridlocknow.gov).



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# Ambassador Patrick F. Kennedy

Under Secretary of State for Management  
U.S. Department of State

*By Michael J. Keegan*

## Managing Transformational Diplomacy

As the United States faces unprecedented challenges and opportunities around the world, Secretary of State Condoleezza Rice has unveiled a bold new vision of American diplomacy for the 21st century known as “transformational diplomacy.” According to Secretary Rice, transformational diplomacy is a vision rooted in partnership, not paternalism—in doing things with other people, not for them. “I think,” says Ambassador Patrick Kennedy, that the major focus of transformational diplomacy has to [do with] getting our personnel out and operating in different ways, reaching out to new audiences ... in ways that we have not done in other parts of the world.”

Ambassador Kennedy, as the under secretary of state for management, plays an integral role in ensuring that the department has the resources to fulfill its mission and advance the secretary’s vision. “I am the senior management advisor to the secretary of state. My responsibility is to organize the support activities of the department to ensure that the resources [are available] in order to carry out [our] missions: to protect the economic and political security of the United States, and to protect the numerous American citizens who travel overseas, and lastly, to serve as the front line in our border security efforts,” explains Kennedy. No small feat for an agency with an operating budget of \$3.5 billion given his management team provides the diplomatic platform for tens of thousands of Americans and foreign nationals from more than 40 U.S. government agencies at more than 260 American embassies, consulates, and missions worldwide.

A vital component of transformational diplomacy is the successful and coordinated application of U.S. foreign assistance. As such, the State Department, in conjunction with the U.S. Agency for International Development (USAID), has sought to fundamentally change the planning, budgeting, and implementation of U.S. foreign assistance, ensuring that assistance aligns strategically with foreign policy objectives.

### CAREER HIGHLIGHTS

- Director, Office of Management Policy, Rightsizing, and Innovation, U.S. Department of State
- Deputy Director of National Intelligence for Management, Office of the Director of National Intelligence

He explains: “We’re pulling the two organizations together at the top.... By having a common strategic framework, we’re able to make sure that State and AID are operating in tandem and that contributes to advancing both U.S. interests abroad and helping people around the world.” Along with the strategic benefits of a common framework, Kennedy describes the more practical benefits of this approach. State and AID have initiated an effort to eliminate and consolidate duplicative services overseas. “We’re seeing State and AID co-located, and we’re deriving administrative and managerial efficiencies from [it].”

The department has pursued two other key initiatives—“rightsizing” its overseas presence and the global repositioning of core personnel and assets to better align the department. “Rightsizing” ensures that the U.S. has the minimum amount of personnel overseas with the right skills to fulfill the department’s mission and properly execute U.S. foreign policy. In some instances, U.S. diplomatic resources reflect the cold war posture. In response, State has commenced a major repositioning of diplomatic personnel around the globe. “We’ve gone through three exercises,” Kennedy describes, “in which we have shifted resources from various parts of the world.... The goal here is to make sure that we have positioned our personnel and our financial resources so that they are most strategically aligned with the foreign policy goals.”



“When something happens overseas, it usually has multiple dimensions, so the State Department has to do more partnering with colleagues.”

“We’ve gone through three exercises in which we have shifted resources from various parts of the world.... The goal here is to make sure that we have positioned our personnel and our financial resources so that they are most strategically aligned with the foreign policy goals.”

He also notes that “we’re realigning so that we get the best bang for the taxpayer’s buck.” “We’ve [also] installed a new financial management system in the department, our global financial management system,” says Kennedy. “In the past, it was very paper [based]; if funds were expended overseas, it might be days, if not weeks, before we had an accurate snapshot of where resources were at a given moment. That’s completely changing with the global financial system.” The better financial data will also enhance its management decision-making process.

Security and protection of its people and facilities worldwide is critical. “We have a very robust security operation,” emphasizes Kennedy, “under the auspices of the Bureau of Diplomatic Security, which works very closely with the intelligence community and others to pull in every piece of information that we possibly can to analyze and take appropriate steps” to ensure the safety of its personnel and assets. The challenge remains: to continually develop innovative countermeasures to combat evolving terrorist methods.

Its security mission becomes more difficult given the department’s commitment and presence in Iraq and Afghanistan. Having served as the chief of staff of the Coalitional Provisional Authority in 2003, Kennedy has firsthand experience of Iraq. “The State Department normally does not operate in spots that are quite this hot, but we see ourselves as partners with the U.S. military,” says Kennedy. “We have personnel in Baghdad and some 27 other cities around Iraq, embedded in many cases with our military colleagues and in reconstruction teams, where we’re operating on our own. These personnel work with the local leaders to develop ways that municipalities can operate better.” He assures that the department has taken extraordinary steps to ensure that its personnel are secure, either through its Diplomatic Security Service or in conjunction with its military partner.

Kennedy was the only State Department official on an expert panel charged with reviewing the department’s personnel protective services in Iraq. “We reviewed our processes and incidents and found, in general, that we had good processes

in place. The panel made recommendations to the secretary, all of which were adopted,” according to Kennedy. The department’s efforts rest on vigilance that its people are the most valuable asset, and that it’s critical to do everything to protect them. He admits, however, that “there are individuals who seek to disrupt our support for the building of a new Iraq. These challenges are our challenges on a daily basis.”

“This means that we are going to have to make sure that we continue to recruit the best people who are representative of America,” says Kennedy. It also means that “we have to concentrate more on interagency cooperation. When something happens overseas, it usually has multiple dimensions, so the State Department has to do more partnering with colleagues,” reflects Kennedy. “I think we are going to see great use of information technology, both in terms of wikis and blogs. These are just marvelous tools that allow people to work collaboratively.”

Kennedy has had a very distinguished public service career. “It has taught me a couple of things. First is the importance of people. You get things done if you have a good team. I’ve learned that people will respond to a mission if you sit down and explain the goal, then let them do their job. There are always problems that arise, and that you have to be creative and flexible. Events happen—some good, some bad—but you always have to be prepared.” ●

To learn more about the U.S. Department of State, go to [www.state.gov](http://www.state.gov).



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# Robert M. Kolodner, M.D.

National Coordinator, Health Information Technology  
U.S. Department of Health and Human Services

*By Michael J. Keegan*

## Leading the National Health Information Technology Agenda

Over the last few years, the importance of health information technology (health IT) has grown. While there is broad recognition of the promise of health IT, its success rests on the need for demonstrated leadership, common agreement, and coordinated action among many stakeholders. As the national coordinator for health IT, Dr. Robert Kolodner plays a critical role in advancing the use and adoption of an interoperable health information technology infrastructure. Health IT's promise to improve the processes of health care delivery, realize administrative efficiencies, increase patient safety, and ultimately improve the quality of care places it at the center of any federal effort to improve the U.S. health care system. "It is," says Dr. Kolodner, "a necessary component in order to be able to reduce errors, improve quality, and produce greater value for health care expenditures."

Established by executive order and appointed by the secretary of the U.S. Department of Health and Human Services (HHS), the national coordinator for health IT is charged with developing the vision and plan to achieve the president's call for widespread availability of secure, interoperable health IT by 2014. "This responsibility is a very big and complex one. We're talking about changes that are pervasive throughout the health care sector, which accounts for about 16 percent of the gross domestic product right now. We're talking about having the use of electronic health records and a network to connect them ... trying to touch 5,000 hospitals across the nation, somewhere between 200,000 and 300,000 doctors' offices, and numerous pharmacies and laboratories," describes Kolodner. Reaching this ambitious goal involves a deliberative, integrated vision. "In order to address this challenge," explains Kolodner, "we have a 10-year plan. We know that the first few years, we [were] laying the foundation, and that it's going to be somewhere between 2009 and 2012 when we expect to see the rapid adoption of the technology across the country, especially in what we

### CAREER HIGHLIGHTS

- Interim National Coordinator for Health Information Technology, U.S. Department of Health and Human Services
- Chief Health Informatics Officer, Veterans Health Administration, U.S. Department of Veterans Affairs
- Associate Chief Information Officer for Enterprise Strategy, Veterans Health Administration, U.S. Department of Veterans Affairs

know as the last mile of that, which is the small providers' offices in clinics across America."

According to Kolodner, health IT incorporates a diverse set of technologies for transmitting and managing health information among various stakeholders. He notes that health IT has a number of core components. First, there is the electronic health record (EHR), which is a tool or a set of applications that providers can use to record clinical encounters, capture diagnoses, order meds or lab tests, and review lab results. Then there is the personal health record, which is an evolving concept and distinct from EHR. It captures a detailed history of a patient's clinical and health encounters. The other components are standards (i.e., data, technical, and security) and a formal secure network for exchanging information. Arguably, it is this capability to exchange secure personal information over a network that represents the foundation of health IT.

To build this capability, the Office of the National Coordinator began advancing the Nationwide Health Information Network (NHIN), which sought the development of secure nationwide health exchange prototypes. Kolodner explains that NHIN leverages the existing Internet infrastructure in a "network of networks" architectural model, allowing



"[Health IT] is a necessary component in order to be able to reduce errors, improve quality, and produce greater value for health care expenditures."

“We have a system where the savings accrue, in the case of electronic health records, to the payers, and the benefits are made to the patients, but the doctors are the ones who have to buy the system. We’re looking at how we make sure that there is a sharing of that savings with physicians.”

existing health information exchanges to participate. He points out that NHIN is in the trial implementation phase. “We’re going to be demonstrating the movement of the information among nine communities to whom we awarded contracts. Once we show that we can move this information securely and reliably among these communities, then we take the next step—to begin seeing what it will take to use in day-to-day operations,” explains Kolodner.

To devise a viable plan, the Office of the National Coordinator needed to understand the rate of health IT adoption in the U.S. It commissioned a national adoption survey, which found a 14 percent use rate as of 2007. Kolodner admits that the rate is low, but believes the survey information allows his office to track the effectiveness of specific interventions and adjust activities based on their success. The survey also identified some of the major barriers to adoption. “We have a system where the savings accrue, in the case of electronic health records, to the payers, and the benefits are made to the patients, but the doctors are the ones who have to buy the system. We’re looking at how we make sure that there is a sharing of that savings with physicians,” explains Kolodner. Other barriers include uncertainty about return on investment and loss of productivity given the introduction of new systems and processes.

To facilitate the adoption of health IT, the need for public and private sector collaboration became evident. As a result, the HHS secretary established the American Health Information Community (AHIC), a federally chartered advisory committee made up of key leaders from the public and private sectors. Its charge: to make recommendations on how to accelerate the development and adoption of health IT. According to Kolodner, the AHIC advised the HHS secretary and recommended specific actions for achieving a common interoperability health IT framework. It provided a forum for key stakeholders and identified critical focus areas, such as consumer empowerment, chronic care, privacy, and biosurveillance, which have informed the direction of this effort.

“We know,” says Kolodner, “that if the health information exchange is not done in a way that’s secure and doesn’t retain the privacy of individuals, it will fail.” He adds: “We want to make sure that we have the proper infrastructure to provide that security.” As a result, HHS has invested considerable resources to protect and secure health information. “We started by working at the state level. We’re also working on a privacy and security framework that we’ll be developing and making available later on this year,” says Kolodner. He also points out that a critical portion of the NHIN effort also required the development of security models that directly address system needs for properly securing health data. As a physician, Kolodner understands firsthand that “technology has to fit into the practice of medicine, rather than the practice of medicine fitting into the mold of a certain technology.” He admits that health IT by itself is not a magic bullet. It is, however, one way to realize the benefits of a value-driven health care model—a model tailored to the specific needs of the patient, delivering the right service, the right way, at the right time, and in the right setting. For Kolodner, the ultimate goal “is helping individuals understand how [the health IT] infrastructure can help them get better quality, safer care, and allow us to transform the health care system to a person-centered health care.... It is not about technology; it’s very much about getting the quality of care that we all deserve, and having the health and well-being that we deserve.” ●

To learn more about the health IT efforts at the Department of Health and Human Services, go to [www.hhs.gov/healthit](http://www.hhs.gov/healthit).



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# Dr. Raymond L. Orbach

Under Secretary for Science and Director of the Office of Science

U.S. Department of Energy

*By Michael J. Keegan*

## Advancing Scientific Discovery Through Transformational Science

Dr. Raymond Orbach leads the Office of Science at the U.S. Department of Energy, where he coordinates and manages the department's basic scientific research. As the nation's first under secretary for science, he also serves as the chief scientific and technology advisor to the secretary of energy, monitoring the department's research and development programs, the management of its national laboratories, and its technology transfer activities. In his dual role, he manages an organization that is the largest source of federal funding for basic research in the physical sciences, providing about 40 percent of total funding over the past three years. In comparison, this is roughly twice the funding from the National Science Foundation for basic research in the physical sciences. With this investment, the department works to improve U.S. global competitiveness, energy security, the environment, and our fundamental understanding of the universe.

Dr. Orbach has an extensive research portfolio composed of six interdisciplinary programs working among 10 world-class labs. "We are by far," says Orbach, "the major supporter of high-energy physics and nuclear physics research. [Our] basic energy sciences division looks at the applications and basic research in the physical sciences, including nanotechnology and the new frontier areas. We have a biology and environmental research program—it was that particular program that began the human genome program back in the mid-'80s. We have a program that focuses on high-end computation. We now have the fastest computers in the world that are open for scientific research. Finally, we have the fusion energy sciences, looking at a form of energy which we believe will ultimately solve the Earth's energy needs."

Orbach recognizes that many of our complex challenges, such as energy security, trump current approaches. He calls for the pursuit of transformational science. Not too long ago, energy was inexpensive and considered readily available. "We have learned," he says, "that energy is limited;

### CAREER HIGHLIGHTS

- Chancellor, University of California, Riverside
- Professor of Physics, University of California, Riverside
- Provost, College of Letters and Science, University of California, Los Angeles

that its sources for us are unstable. We need new sources of energy if we are going to survive as a nation, sources that are environmentally benign and abundant." This requires transformational discoveries, which involves what Orbach calls disruptive technologies: "technologies that are not incremental, that don't simply add a little bit to what we already have, but are truly path-breaking—that fundamentally change the rules of the game." "The lightbulb was not invented by perfecting the candle," reflects Orbach. An incandescent bulb converts only about 5 percent of the energy it consumes into light. "What if we could generate light without heat?" he proposes. "It's a completely new direction, but it's very possible—what we call light-emitting diodes.... It's a direct conversion of electric current to light." It's "a perfect example of what I have in mind," says Orbach, "namely something that has no relationship to what's already present, but has the potential of providing efficiency and benign environmental effects."

The 21st century is already considered the "biological century"—when advances in biology promise unconventional solutions to some of the most pressing challenges. "It indeed is the era of biology, but you can't separate biology from the physical sciences," advises Orbach. He notes that the Human Genome Project was as much a triumph of the physical sciences as the biological sciences. The information gleaned from that process is being used not only for human health, but also for bioenergy research. "Think of biofuels," notes Orbach,



“The lightbulb was not invented by perfecting the candle.... What if we could generate light without heat? It’s a completely new direction, but it’s very possible....”

“What we are finding through high-end computation is that we have enough power now to be able to simulate nature itself. We can literally twist the knobs and explore different phenomena and different regions of behavior.”

“where today’s conventional approach is we take the sugars and starch [from corn] and convert them to ethanol. What about the plant fibers and the cellulose?” The result becomes cellulosic ethanol, but to derive it the cell walls must be penetrated. How to penetrate the cell walls without heat or chemicals becomes the issue. “I ask you to consider the termite,” says Orbach. The termite doesn’t use harsh chemicals or excess heat to break down cellulose. “It uses bacteria inside its hindgut that breaks down the cell walls and enables it to digest the cellulose.” Using insights from the Human Genome Project, researchers have sequenced the genomes of termite gut bacteria. “Now the trick,” says Orbach, “is to figure out what are the metabolic pathways that those genomes conduct to enable the termite to get past the lignin [cell walls] to get at the cellulose.” To pursue such transformational science, the department has established three Bioenergy Research Centers. “We are asking them,” explains Orbach, “to look at nature and see if we can do what nature does synthetically and thereby produce energy.”

Orbach stresses that there is no magic bullet to solve this energy challenge. Success rests on a diversified portfolio of energy alternatives. Fusion power presents real possibilities. “The sunshine gives us the energy that we use to stay alive,” notes Orbach. “That energy comes from fusing hydrogen nuclei or protons together to form helium and heavier elements.... We want to mimic nature. We want to do here on Earth what the sun does.” Creating fusion energy—temperatures upwards of 200 million degrees—sustaining and containing it on Earth is the real scientific challenge. Therefore, the international community established ITER—a joint international research and development project that aims to demonstrate the scientific and technical feasibility of fusion power. “It will be the first controlled burning plasma ever created on Earth by man,” declares Orbach.

The Office of Science has also been a recognized leader in developing and using high-end computing. It’s often said that science is based on two pillars, namely experiment and theory, but today high-end computation, especially through simulation, has become a true third pillar of scientific discovery. “What we are finding through high-end computation

is that we have enough power now to be able to simulate nature itself. We can literally twist the knobs and explore different phenomena and different regions of behavior,” explains Orbach.

Orbach has also transformed the way his office operates and how it prioritizes its scientific investment. “I saw a hierarchical structure that separated my office from our laboratories and the administration of our research grants. I didn’t want that separation,” says Orbach. He replaced it with a flatter, more responsive and efficient structure. “I was told by Congress and by the administration, ‘You scientists want everything, and you don’t care about the cost. Why can’t you prioritize?’ ” says Orbach. In response, he developed the *Facilities for the Future of Science: A 20-Year Outlook*, which serves as a road map to guide Department of Energy policy and funding decisions, assuring that such decisions are in the open with a transparent process.

“I want the science that [we] fund and support to be the best in the world—to be the most exciting science that this world can generate,” asserts Orbach. “With a certain amount of hubris, we think we know it all, and then nature comes along and slaps us in the face and says you got it backwards.... This is the beauty of nature. You cannot tell it what to do. It will tell you how it behaves.” For Orbach, “it’s that aesthetic sense of simplicity that ... is behind scientific discovery that keeps us going.” ●

To learn more about the Department of Energy’s Office of Science, go to [www.science.doe.gov](http://www.science.doe.gov).



To hear *The Business of Government Hour’s* interview with Dr. Raymond Orbach, go to the Center’s website at [www.businessofgovernment.org](http://www.businessofgovernment.org).



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# Marcus C. Peacock

Deputy Administrator

U.S. Environmental Protection Agency

*By Ruth Gordon*

## Using Efficiency Measures to Track Progress Toward a Cleaner Environment

The environmental issues we're facing today are more complex and challenging than those of 30 years ago. Scientific and technological advances offer new opportunities for protecting human health and the environment; they also pose new risks and challenges. As a result, today's environmental problems cannot be solved by traditional regulatory controls alone. They require the combined expertise, perspectives, and resources of governments, industry, and the public. The Environmental Protection Agency (EPA) leads the federal government's effort in this area. It focuses on protecting human health and safeguarding the environment, relying on collaborative efforts, innovative programs, and sound science.

Marcus Peacock, EPA's deputy administrator, manages the day-to-day operations of an agency with over 17,000 employees and an annual budget of \$7.7 billion. As its chief operating officer, he seeks to find ways to improve the agency's overall performance so that it can successfully achieve its mission. "Somebody gave me a metaphor: A chief operating officer is like a pacemaker for an organization, trying to make sure that the heart of the organization is beating at a healthy, regular rate, the blood is circulating, getting to all the extremities, so that people can do their job. I look for ways to make the organization even healthier so people can do their job better," explains Peacock.

The EPA's Quarterly Management Report (QMR) represents one way Peacock has sought to better the agency. EPA created QMR to assess and measure its performance. For Peacock, it is using performance measures to "learn and do" rather than simply to "report." EPA continues to improve and refine the QMR it initiated in FY 2006. Peacock explains that the QMR includes "60 measures that we track every three months [and is] publicly available [from] EPA's website." QMR, he continues, "reflects the priorities that we're working on right now and gives me ... a much better idea of how we're doing and where we're having successes and [challenges]."

### CAREER HIGHLIGHTS

- Associate Director, Natural Resource Programs, U.S. Office of Management and Budget
- Staff, Committee on Transportation and Infrastructure, U.S. House of Representatives

He provides an illustration that captures the essence of the agency's strategic approach: "Picture a [four]-tiered wedding cake. At the top, [with the] bride and groom, is our mission. The next smaller cake down [represents] our strategic goals, [the] protection of water, air, land, and communities, and a goal for compliance and stewardship. You cascade down to the [next] cake, [which represents] our 20 objectives. Finally, at the bottom, you have this large piece of cake, and that's our annual goals and commitments."

Following such a strategic approach, EPA has had much success with the President's Management Agenda (PMA) government-wide initiatives. Over the past five years, PMA has challenged federal agencies to be "citizen-centered, results-oriented, and market-based," and EPA has heeded the challenge. Unlike almost half of applicable federal agencies, EPA sustains a "green" rating in the Financial Performance initiative. Peacock explains that EPA achieved this score by focusing on providing quality information that is relevant to managers. "We're continuing," he says, "to make stronger links between the financial information we have and the performance information. We've made stronger links between grants so that we have more information on the outcome of grants and the money we're spending." In addition, he proudly reports, "we've now had seven consecutive years of clean audits."

EPA is also partnering with the Office of Management and Budget (OMB) to launch a budget formulation and execution



"[With] an efficiency measure, you're not just looking at what you're performing ... but how much money it's taking to do what you're doing."

“A chief operating officer is like a pacemaker for an organization, trying to make sure that the heart of the organization is beating at a healthy, regular rate, the blood is circulating, getting to all the extremities, so that people can do their job. I look for ways to make the organization even healthier so people can do their job better.”

line of business to improve budget processes government-wide. EPA is helping to define the requirements, the architecture, and the “decision matrix that agencies use to evaluate their current budget formulation and execution systems to show where improvements can be made.” The MAX budget system will be replaced with new systems so that the data flow from agencies to OMB will be seamless. This effort will “result in better collaboration across the federal government,” says Peacock.

EPA continues to strengthen its performance measurement and use of performance information to inform its management and budget decisions. “The biggest challenge we had was coming up with ... good efficiency measures. There are some things an agency does which it’s fairly easy to come up with measures, and there are other areas which it’s just inherently difficult. Two difficult areas are enforcement and research and development.... [With] an efficiency measure, you’re not just looking at what you’re performing ... but how much money it’s taking to do what you’re doing,” explains Peacock. Realizing this wasn’t just an EPA problem, “we went to the OMB and co-requested that we [organize] a National Academy of Sciences panel to look at what would be the best possible efficiency measures for a research and development program.... Our goal is to be at the cutting edge of having the best possible measures,” underscores Peacock.

Through programs, legislation, and multilateral partnerships, EPA is helping the administration achieve its goals of controlling climate change and improving the nation’s drinking water and wastewater infrastructure. Peacock reports, “We’ve invested over \$37 billion since 2001 on climate change.” Additionally, Peacock and his colleagues at the U.S. Department of Transportation drafted a proposal to regulate greenhouse emissions for new vehicles. EPA has programs helping to reduce emissions right now, including the Energy Star Program and Climate Leaders Program. Another area of expertise that may be unknown to many is EPA’s capabilities to respond to natural disaster and homeland security challenges. Peacock describes the important emergency support functions the agency has as a part of the National Response Plan. Twenty-two emergency support functions provide

assistance at incidents such as hazardous material spills and during natural disasters such as Katrina. EPA also maintains responsibilities in regard to the president’s security directives. These directives enable EPA to secure the drinking water supply in the case of an emergency and assist with decontamination efforts such as the anthrax attack.

Peacock discussed three areas of technology that offer potential for protecting human health and the environment. The first area is emerging technologies such as zero emissions, clean coal plants, hydrogen cars, and next-generation nuclear plants. The second includes technology to better monitor and enforce environmental laws, such as infrared cameras to monitor harmful emissions and water monitors to measure water contamination. The third area includes nanotechnology, which can “help us clean up hazardous waste sites and increase fuel efficiency.”

Regarding new technologies, Peacock reports that he was the first presidential appointee to have an ongoing blog. It is an enabler and creates a more open and transparent environment. The feedback has been overwhelming. “I’m getting hundreds of hits now every day,” he says, “which is a great sign. I think people are learning from it.” EPA “continues to transform from a regulatory agency where we have a limited number of tools to an agency [that] has a lot of tools, so [we] can use more innovative means, more collaboration to provide incentives for people to be good stewards of the environment.” ●

To learn more about the Environmental Protection Agency and its programs, go to [www.epa.gov](http://www.epa.gov).



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# Linda Jacobs Washington

Assistant Secretary for Administration  
U.S. Department of Transportation

*By Lauren Kronthal*

## Supporting Mission-Critical Operations

The quality of our lives, the shape of our communities, and the productivity of our nation's economy rest on the existence of a safe, secure, and efficient transportation system. Today, the U.S. Department of Transportation (DOT) stands at the forefront, promoting an efficient and interconnected national transportation system. The success of such a critical mission requires a department to effectively manage the administration of its resources and its workforce.

According to Linda Jacobs Washington, assistant secretary for administration at the U.S. Department of Transportation, "There's no citizen not affected by transportation. Everyone who takes a bus or a Metro, who buys groceries or drives on a highway, flies in a plane or rides a train, does so because DOT is doing its job." She describes the roots of the DOT, which was established in October 1966. "Our first secretary took office in January 1967, and the department's first official day of operation was April 1, 1967. We've just celebrated our 40th anniversary." She outlines its mission, which "is really pretty simple—we're charged with supporting a national transportation system ... the most complex and the best system in the world." The department pursues its mission with a budget of more than \$67 billion and a staff of about 54,000 men and women. "Most of those men and women are air traffic controllers. We're organized by modes, which is a great definition of the different organizations within the DOT, because 'modes' stand for the modes of transportation: planes and boats and trains and trucks, rails and highways and airways," explains Washington. "In fact, we have employees all over the world, including staff who are helping to rebuild the Iraqi transportation system."

"As the assistant secretary for administration, I manage all supporting infrastructure, except IT," notes Washington. "That includes human resources, procurement, security, printing and graphics, photographic services, transit benefits, facilities, and building management. It's my job to make sure

### CAREER HIGHLIGHTS

- Deputy Assistant Secretary for Administration, U.S. Department of Transportation
- Director of Integrated Support Services, Library of Congress
- Chief of the Photo Duplication Service, Library of Congress
- Xerox Business Services, Xerox Corporation

that the heat and the lights are on, that the security guards are in place, and that staff in the buildings are safe. I have a staff of 212 who work with a cadre of contractors and a budget of a little more than \$400 million."

When asked about the challenges of this role, she observes: "The most difficult challenge had wonderful results. I was responsible for overseeing the construction, the build-out, and the employee move to our new facility—an 11-year project, over three years of construction, and an 11-week move period. Moving 5,600 people with all of their stuff over 11 weeks was no walk in the park. We met it. But it involved a lot of logistical planning and relationship building with our contractors to get it done." Washington points out that "we are in an election year and the huge challenge of what we call 'transition.' In less than [a year] we will have a new administration. We will transition outgoing and incoming leaders. While that may seem like an easy task, it requires enormous planning, logistics, teamwork, and diplomacy. But after building a cabinet-level headquarters building, I have to tell you, I think it's going to be a piece of cake."

As the federal government spends about \$300 billion annually on goods and services, agencies need to leverage spending to the maximum extent possible. Washington describes



“When you can bring groups of people together to make a major buy, you can certainly save money. But it also helps you look at what the needs of the organization are, plan for those needs. That way, you avoid redundancy and save money.”

“For 40 years, DOT has been helping build highways, bridges, and overseeing the highways and seaways, so one of our focus areas has been on engineers. But we want to attract all disciplines, from administrative positions to IT, from HR to security, from safety to procurement.”

DOT's efforts in the strategic sourcing area and, specifically, the establishment of commodity councils to look at cross-modal or departmental requirements. “This is truly an initiative we believe in. Internally, we're using tools and techniques to help us buy more rationally. In the area of IT, we recently converted to a consolidated common operating environment utilizing an enterprise-wide contract. We use spend analysis to support our decision to centrally buy printers for the whole building. And we have taken a similar approach to the purchase of all furniture. We are truly committed to this and we plan to do more in the upcoming years.”

When asked about the use of shared services, Washington says: “We really embrace this idea. We're constantly looking for ways to save taxpayers money through economies of scale and shared resources to deliver the most efficient and cost-effective services. We offer a variety of shared services including human resources, procurement, mail, printing and graphics, photographic services, multimedia services, and a security guard force that protects all of DOT staff and facilities. When you can bring groups of people together to make a major buy, you can certainly save money. But it also helps you look at what the needs of the organization are, plan for those needs. That way, you avoid redundancy and save money.”

Given the evolution of the national transportation system, DOT's pending workforce retirement presents a real issue for Washington. When asked about DOT's plans to mitigate this challenge, she says, “Quite frankly, we're anticipating and preparing for our retirement tsunami. I think that adequately describes the scope of the problem. If the recent pattern of losses and gains continues, the total DOT workforce will decline by about 8 percent over the next four years, largely due to retirements. And the group that is most affected by the retirement tsunami are the senior leaders and program managers.” She continues: “So, a simple one-for-one replacement strategy doesn't make sense. We must work together to ensure we are hiring individuals with the right skills, but at the same time we want to make sure that we're

best utilizing the employees we currently have. We want a combined effort on both fronts: replacing the folks who are retiring by training internal staff, but also bringing in the best and the brightest.” She distills the DOT focus: “For 40 years, DOT has been helping build highways, bridges, and overseeing the highways and seaways, so one of our focus areas has been on engineers. But we want to attract all disciplines, from administrative positions to IT, from HR to security, from safety to procurement.”

“My vision is to support DOT by remodeling our HR systems to streamline hiring and recruit those with the right talent and skill. I want us to be more proactive. It's important that we help individuals, and make it easy for them, to come to work for the federal government,” maintains Washington. “If we bring in the best talent consistently, then we are certain to keep up with technology and DOT's needs. We are adding even more flexibilities to attract and retain employees— [providing] cross-training to every segment of our workforce.”

“Now, there are two things that will not change in three or five years,” asserts Washington. “The first is our commitment to, and investment in, our most vital resource: our people. And the second is our accountability to the American people.” ●

To learn more about the Department of Transportation, go to [www.dot.gov](http://www.dot.gov).



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# James A. Williams

Commissioner, Federal Acquisition Service  
U.S. General Services Administration

*By Michael J. Keegan*

## Creating a Single Interface into the Federal Marketplace

Increasing budget constraints challenge federal agencies to find new and smarter ways to do business. In doing so, federal agencies require support and assistance, and the U.S. General Services Administration (GSA) through its Federal Acquisition Service (FAS) works to provide that support. “We like to think of ourselves,” says Jim Williams, FAS commissioner, “as the premier acquisition agency in government.” With a budget of around \$17 billion and 12,000 employees, GSA has two main components: the Public Building Service and FAS. The Public Building Service controls about 8,300 owned or leased federal office buildings that account for about \$500 billion in assets. FAS, led by Jim Williams, is “the first service in the history of GSA established in law—October 2006—and is the result of merging the Federal Technology Service and the Federal Supply Service.” Williams believes his organization has a great opportunity to assist federal agencies to be more effective and efficient in spending taxpayer dollars.

Williams identifies core business lines, which are supported by various internal functions to better serve FAS’s clients. “First, we have Travel, Motor Vehicle, and Card Services. Three million users spend about \$27 billion a year with about 92 million transactions. Our Fleet Program leases about 200,000 vehicles per year; and we also have our Automotive Program, which we buy about 65,000 vehicles a year in addition to those 200,000 that we lease,” says Williams. He adds that under its General Supplies and Services program: “We have our Global Supply Program, which is an integrated supply chain that provides support to the warfighter, the firefighter, and the everyday government office worker. We also have property disposal, which we do a lot of, hundreds of millions of dollars of property that agencies no longer need. Our Integrated Technology Services is an area where [we] enter into large contracts such as Networx, Alliant, SATCOM-II, Fed Relay, and they also have all of the other GWACs plus the IT 70 Schedules.”

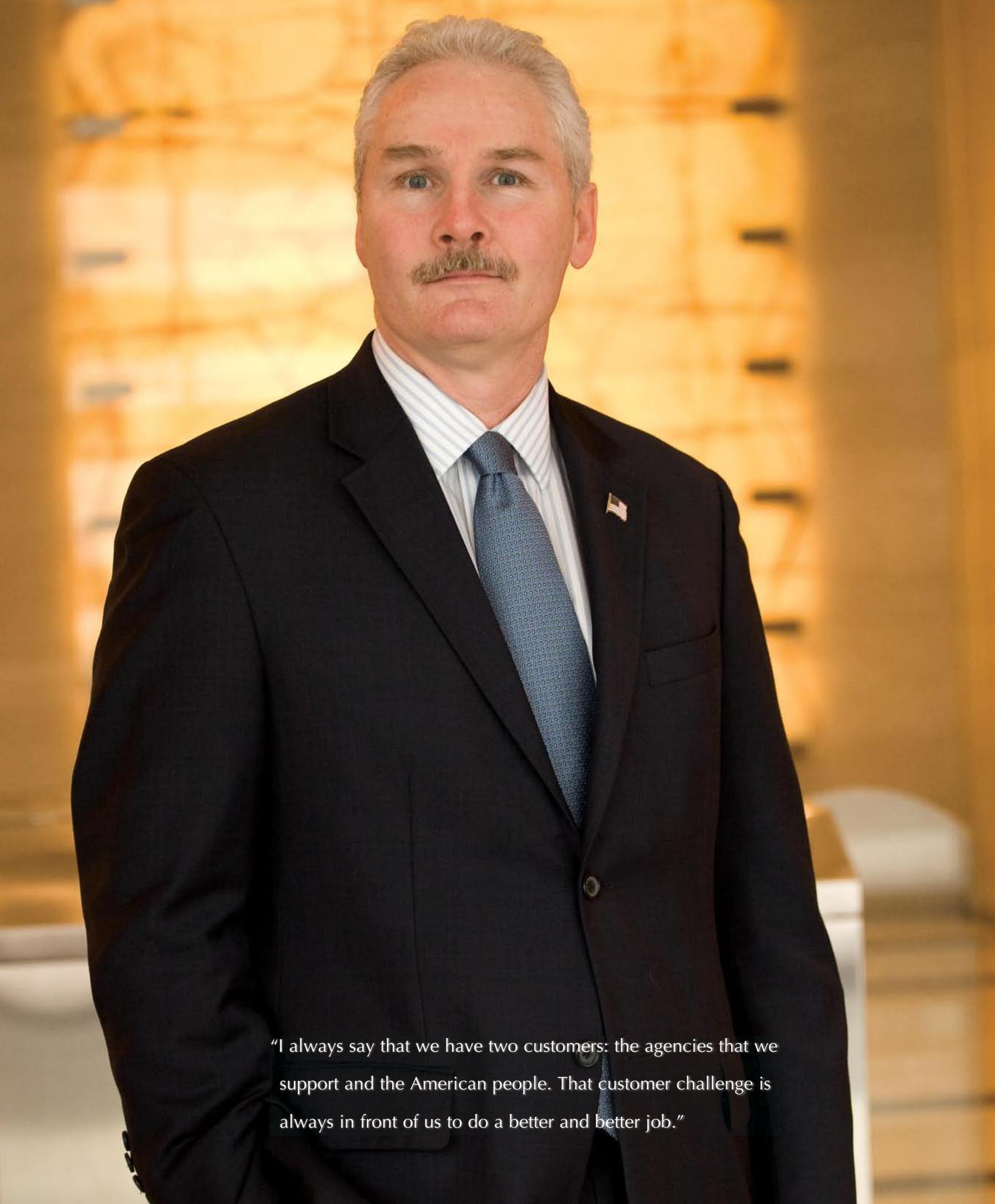
### CAREER HIGHLIGHTS

- Director, US-VISIT program, U.S. Department of Homeland Security
- Deputy Associate Commissioner for Program Management, U.S. Internal Revenue Service
- Director, Procurement, U.S. Internal Revenue Service

FAS’s fourth line of business is the Assisted Acquisition Services, where agencies come to GSA for help—whether it’s doing an acquisition strategy or requirements development. “We know every agency is struggling in their acquisition mission today,” observes Williams. “We’re there as a force multiplier, as a workload balancer.”

As a force multiplier, FAS assists agencies without receiving any federal appropriation. “We exist based upon the fees we collect for the services we provide,” says Williams. As the head of a service organization, Williams understands that his first commitment is to his customers. “Our customers always can vote with their feet, so we have to prove ourselves every single day,” declares Williams. He recognizes that, along with providing top service, his organization must manage its internal costs judiciously. “I always say that we have two customers: the agencies that we support and the American people. That customer challenge is always in front of us to do a better and better job,” says Williams.

FAS provides value to its customers by leveraging the buying power of the federal government, providing critical acquisition expertise, and acting as a single interface between the federal government and the provider sector. “Leveraging that buying power is one of the advantages. Leveraging the acquisition expertise is another. But let me give you another one that I don’t think people think about enough, and that



"I always say that we have two customers: the agencies that we support and the American people. That customer challenge is always in front of us to do a better and better job."

“The first and foremost goal of procurement is to meet the mission and meet it in an effective and efficient way. I’m trying to create a foundational system that facilitates that, and I think we have the right people to do it.”

is leveraging a single interface between the government and the private sector,” explains Williams. He points out that GSA, with its GWACs and Schedules program, creates a single interface for entry into the federal marketplace. “A company that gets a GSA Schedule under a GWAC can then sell to everybody else in the federal government,” says Williams. By keeping that low-cost entryway, his organization makes it easier for all types of companies to gain entrance into the federal marketplace, creating a broader industrial base.

FAS seeks to lower transaction cost as well. It does this by optimizing standardized processes and using such electronic tools as GSA Advantage or GSA e-Buy. “I think we’re trying to move towards the government acting as one ... a common infrastructure, a common set of platforms that allows for similar standards and similar platforms across government,” explains Williams.

Through transformational contract vehicles such as Networx, FAS offers a federal agency the ability to reevaluate how it can accomplish its mission and do it through a common platform of networks. Williams points out that Networx is a unique vehicle—the largest telecommunications award in the history of the federal government. “All agencies are facing challenges having the right kind of people to manage a conglomerate of different network services.... [With Networx] agencies can either manage their own networks or choose [its] network services portion.” It allows agencies to focus resources on building seamless, secure operating environments while ensuring access to the best telecom technology industry has to offer. “I think it’s a tremendous vehicle,” asserts Williams.

While Networx facilitates agency access to seamless and secure telecommunications, Homeland Security Presidential Directive 12 (HSPD-12) puts security at the forefront. It establishes a common credential as well as a common vetting system within the federal government. “I think you’ve actually seen people walking around with multiple federal credentials and that’s not good for security and it’s inefficient,” says Williams. His organization provides federal agencies with interoperable identity management

and credentialing solutions through its HSPD-12 Secure Identification contract. “We now have about 67 agencies encompassing about 850,000 credentials—it’s beyond making good economic sense. It’s important to the security of the nation. So we’re proud of the work we’re doing in HSPD-12,” reflects Williams.

The IT infrastructure Line of Business identifies opportunities to consolidate, optimize, and develop government-wide common solutions. “We could save as much as 25 or more percent off that growing percentage of our IT budget,” notes Williams. “My organization, partnering with the Office of Government-wide Policy and OMB [Office of Management and Budget], is ready with those offerings that can provide the opportunity for agencies to get there.”

Williams believes his organization is best positioned to provide that common service or solution which allows “all of those win-win goals of information sharing, interoperability, and taking the burden off agencies.” “The first and foremost goal of procurement,” Williams explains, “is to meet the mission and meet it in an effective and efficient way. I’m trying to create a foundational system that facilitates that, and I think we have the right people to do it.” He continues: “I believe in people and results in that order; that if you create the right environment for people with the right leadership, give them the right training, the right tools, the right processes, get out of their way, they will produce results every single time.” ●

To learn more about the General Services Administration and its Federal Acquisition Service, go to [www.gsa.gov](http://www.gsa.gov).



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# Federal Government Reform: Lessons from Clinton's 'Reinventing Government' and Bush's 'Management Agenda' Initiatives

By Jonathan D. Breul and John M. Kamensky

*Newly elected presidents oftentimes set out to reform the executive branch. This has been the norm for over 100 years, and indications are that the next president will follow this pattern. The authors have had firsthand experience over the past 15 years with White House–led government reform efforts. They provide their insights on President Bill Clinton's Reinventing Government initiative and President George W. Bush's Management Agenda efforts. Based on their experience, they offer lessons learned for the next president's team on how to successfully start reform efforts and how to implement and sustain them.*

"Government reform" has been a rallying cry for advocates of good government for more than 100 years, starting with Teddy Roosevelt's Keep Commission in 1905 and its efforts to reduce red tape. Interest in reform does not seem to be abating. During the early stages of the 2008 presidential campaign, there have been proposals to:

- Cut the size of the federal workforce or the size of the contracting workforce
- Create a public service academy to train future leaders in government
- Stop replacing retiring civil servants
- Create chief management officers in each department

So it is likely the next president will also sponsor some form of government reform effort. The two most immediate questions his or her advisors will have are: How do you get a reform effort started? And, once started, how do you keep it going and get things implemented?

Over the past 15 years, the authors either worked on or advised the management reform efforts initiated by Presidents Bill Clinton and George W. Bush. We share our insights in the context of those initiatives and offer some lessons on how the next president might want to approach government-wide reform efforts—whatever they might be—based on our combined experiences in White House–led government reform efforts.

## Contrasts Between the Clinton and Bush Approaches

The Clinton and Bush administration management reforms each displayed highly visible, top-level commitment and support. President Clinton announced the National Performance Review (NPR)—later renamed the National Partnership for Reinventing Government—and Vice President Al Gore personally led it. President George W. Bush led the President's Management Agenda (PMA).

**Similarities.** Both efforts had a citizen/customer focus and emphasized a greater use of electronic government. The Clinton electronic government effort spawned the Government Paperwork Elimination Act and hundreds of innovative web projects. The Bush effort winnowed those efforts to 24 that had the potential for significant changes in government (such as an electronic travel system), for citizens (such as a common portal for federal benefits), and for businesses (such as a common portal for all regulations affecting businesses). It extended its efforts via the E-Government Act of 2002.

Both reform efforts also placed greater attention on improving program performance and obtaining results. While the Clinton reform effort undertook the initial implementation of the Government Performance and Results Act, which created a new supply of performance information, the Bush administration systematically attempted to leverage that information to improve agency performance and increase accountability for results.

Both, after several years of top-down recommendations and initiatives, shifted to more of a support role in which they worked with senior agency leaders to develop initiatives and performance targets jointly. This led to greater ownership by agency-level political appointees.

Together, both reform efforts shared a number of common recommendations on improving financial management, strengthening human capital, and achieving budget reform. Efforts begun under Clinton were more concretely implemented



*Jonathan D. Breul is the Executive Director of the IBM Center for The Business of Government. He served as the senior career advisor on management issues at the Office of Management and Budget. He was heavily engaged in management reform efforts in the administrations of Ronald Reagan, George H. W. Bush, Bill Clinton, and George W. Bush. His e-mail: jonathan.d.breul@us.ibm.com.*

under Bush. Interestingly, both also encountered challenges in explaining the results and value of their effort to the public. As a result, the two efforts received relatively little public recognition.

In addition, neither president's reform efforts was able to successfully engage members of Congress and their staffs. In each case, executive branch efforts to reform management were viewed with skepticism. As a consequence, few pieces of significant legislation were enacted. A major exception in the Clinton administration was NPR's procurement reforms—the Federal Acquisition Streamlining Act of 1994, the Federal Acquisition Reform Act of 1995, and the Clinger-Cohen Act in 1996. The major exceptions during the Bush administration were the civil service reforms in the legislation creating the Department of Homeland Security and the subsequent authority given to the Department of Defense to create a national security personnel system. In each case, the legislative reforms had their roots in earlier work developed under a prior administration.

**Differences.** Despite these similarities, the Clinton and Bush reforms displayed a number of important differences, especially in their implementation. Clinton's initial six-month Performance Review generated over 1,200 recommendations. By sheer volume, some thought it discredited itself. There were enough idealistic (some say naïve) ideas in the initial set of recommendations that those naturally opposed to real reform used them to impugn the credibility of the entire effort. In addition, the Clinton effort continued to generate initiatives and recommendations during the course of the entire eight-year effort. It issued over 100 reports and publications. Bush's Management Agenda, on the other hand, focused on a few large ideas that represented long-standing, well-known management challenges. The Bush administration doggedly focused on the implementation of these core elements for its entire eight years and added or deleted relatively few items from its Management Agenda.

In terms of implementation strategy, NPR attempted to go around central control agencies, often shunning help from the Office of Management and Budget (OMB) and the Office of Personnel Management. NPR maintained that those agencies had discredited themselves in prior reform efforts by their command-and-control, one-size-fits-all approaches. In contrast, the Bush administration relied heavily on each of these agencies, particularly for implementation and follow-up. NPR formed its own team of temporary, dedicated staff, while the Bush administration turned to OMB's permanent career staff as well as permanent staff in the departments and agencies. As a matter of strategy, NPR attempted to directly engage frontline employees. It did this via its awards program, reinvention lab initiative, and e-mail networks. The Bush administration, on the other hand, made a concerted effort to systematically engage agency political leaders in much more of a top-down, chain-of-command manner. For example, all new incoming political appointees were briefed on the elements of the President's Management Agenda and told to make them part of their agencies' agendas.



### Mission

In time for the 21st century, reinvent government to work better, cost less, and get results Americans care about.

### Four major NPR principles:

- "Put Customers First"
- "Empower Employees"
- "Cut Red Tape"
- "Get Back to Basics"

*John M. Kamensky is a Senior Fellow of the IBM Center for The Business of Government. He served as deputy director of the National Performance Review and the National Partnership for Reinventing Government. He also led government management issues work for the Government Accountability Office. His e-mail: john.kamensky@us.ibm.com.*



NPR focused on recognizing individual cases of success. NPR gave out “Hammer Awards” to teams of federal employees who demonstrated the principles of reinvention in their workplace (for example, putting customers first or cutting red tape). NPR recognized nearly 1,400 teams with more than 60,000 employees. In contrast, the Bush administration relied on what OMB Deputy Director for Management Clay Johnson called the “shame and humiliation” approach, by publicly releasing quarterly scorecards comparing progress and status across all departments and major agencies.

NPR made an extensive effort to engage employee unions via labor-management partnership councils in each agency.

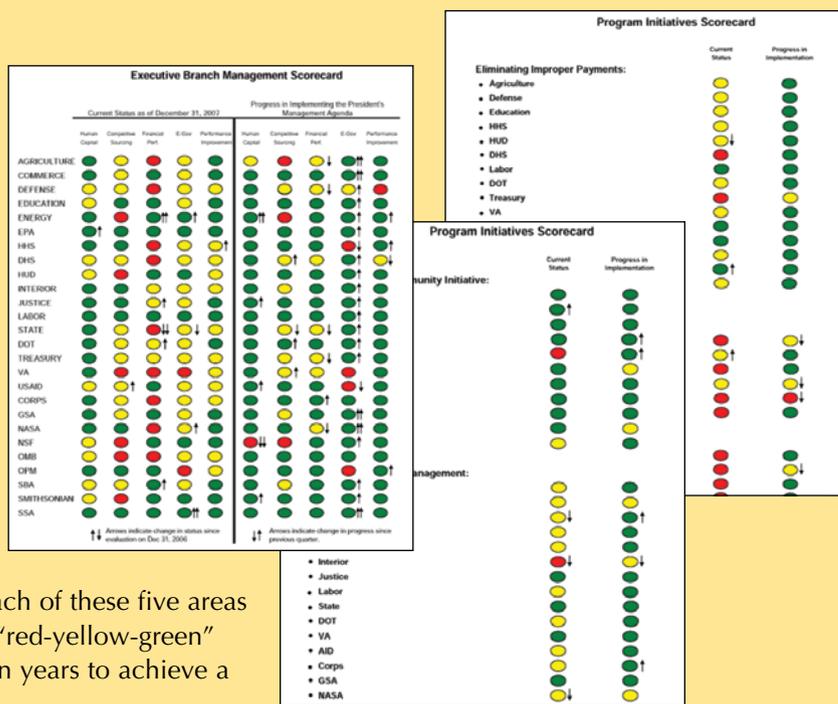
An early Bush administration directive curtailed their role and sought to expose the delivery of government services to competition with the private sector. Both the Clinton and Bush administrations employed the use of public-private competition for delivering selected services because studies found that whoever won, the government generally experienced an average savings of 35 percent. However, its use became more politically charged under the Bush administration and was curtailed substantially by Congress. Like Clinton’s workforce downsizing efforts, competitive sourcing became a source of ill will with employees.

## The President’s Management Agenda and Scorecard

Begun in 2001, the President’s Management Agenda (PMA) is the George W. Bush administration’s strategy to improve the management of the federal government. The PMA focuses on areas the administration believes experience governmental management weakness. It encompasses five major initiatives in these areas:

- Performance Improvement
- Competitive Sourcing
- Electronic Government
- Strategic Management of Human Capital
- Improving Financial Performance

Each major agency is rated against criteria in each of these five areas and is scored quarterly on a publicly available “red-yellow-green” scorecard. Agencies have been striving for seven years to achieve a “green” score in all five areas.



Source: [www.whitehouse.gov/results/agenda/FY08Q1\\_SCORECARD.pdf](http://www.whitehouse.gov/results/agenda/FY08Q1_SCORECARD.pdf)

## Lessons Learned from the Two Reform Initiatives

### Lesson 1: Put Management Issues on the Front Burner Early

**Start on a firm footing.** While some presidential candidates have raised management issues even earlier, during the campaign it is important to make sure rash promises are not made that might have to actually be implemented. For example, candidate Bill Clinton promised to reduce the White House staff by 25 percent and he was held to that promise. By doing this, observers believed he inadvertently crippled his policy-making abilities by being understaffed during his first term in office.

**Start early.** The right time to devise and implement a president's response to government management and performance challenges is at the start of the administration, at the same time he or she is defining legislative, budget, and policy strategies. While many of the president's appointees will not yet be confirmed, management and performance issues cannot wait. How soon the administration begins its management initiatives will likely determine how successful the initiatives will be. President Clinton announced his National Performance Review in March 1993; President Bush released his President's Management Agenda in August 2001.

**Secure and maintain top-level support.** This has to be done throughout the White House and within the Office of Management and Budget. In the absence of strong leadership at the highest levels, management reform initiatives will have limited impact. The president has to personally care and spend some strategic time using the power, prestige, and symbols of the office to express that support concretely to other political leaders, civil servants, and the public.

### Lesson 2: Clearly Define the Intended Scope of the Effort in Advance

A clear set of overarching principles and values is needed to build and sustain the support needed to further a president's management program and agenda. It is essential that a president and his or her immediate White House team articulate the direction they want to take. The military calls it "commander's intent," which establishes a "common operating picture."

Presidents Clinton and Bush each articulated a brief set of principles and effectively communicated them to both political and career employees throughout government. For example, Clinton's effort advocated "putting customers first, cutting red tape, empowering employees, and getting back to basics." Bush placed an emphasis on improving

management capacity and streamlining back-office functions in the major departments.

### Lesson 3: Come to Agreement on an Initiative Development and Selection Process

When you get started, think about how you want to go about developing and agreeing upon your initiatives.

**How much do you keep or junk?** Typically, each new administration believes it is starting with a clean slate. The advantage is the opportunity for new ideas. The disadvantage is that it stops or delays ongoing long-term efforts. For example, the Clinton administration discarded an Agriculture Department plan to streamline its field office structure, and then set about redesigning the effort via its NPR initiative. The results were the same, but the effort was delayed by about three years. Similarly, the Bush administration discarded the Clinton administration's employee survey results only to re-create its own a year later with largely the same questions and results.

**Top-down or bottom-up?** There will be a series of design options that should be considered up front and will be based on the new president's values as well as the political environment. The Clinton effort used both a top-down approach in developing its initial recommendations, and a bottom-up approach by appealing to frontline employees and citizens to bring forth their ideas. The Bush effort was largely driven top-down by engaging OMB staff in designing the approach and driving its implementation.

### Lesson 4: Invest in Implementation and Follow-Through

A hallmark of both the Clinton and Bush efforts was their long-term commitment to implementation of the recommendations and the ability to recalibrate efforts over time to recognize political realities. What were some of the approaches used that contributed to success?

**Create a dedicated focal point for action.** Having a small core team responsible for implementation is essential. In the Clinton administration, it was NPR. In the Bush administration, it was a set of "champions" designated for each of the five major management initiatives, who were located in OMB and OPM, and were responsible to the deputy director for management.

**Appoint leaders in agencies who "get it."** All relevant research and experience indicates that any attempt to achieve change and improve results will not succeed without leaders at the top who are personally committed to change and who understand what is required to improve operating performance against mission. That means picking people who care and

know how to undertake change in a disciplined, systematic, and sustained way.

**Develop a road map for action.** Setting priorities and developing some strategic approaches helps. For example, it is important to link management improvement initiatives to improvements in mission and operating performance. Leaders must understand the need and importance of using a president's management reform agenda to improve the operating performance of their department or agency against its mission. Both Clinton and Bush used the power of transparency in reporting progress on their respective management improvement initiatives. Clinton's NPR published agency employee survey results on the Internet, by agency. It also publicly recognized successes via Hammer Awards to teams of employees. Bush's OMB published a "red-yellow-green" scorecard on each agency's progress toward its agenda, noting that "shame works."

**Obtain support from Congress.** Without support from Congress, agencies may become distracted by competing signals or, even worse, denied the funding or flexibility necessary to implement a president's management reform priorities. No recent president has been able to garner sustained interest or support from Congress for his management initiatives.

**Use the president strategically.** The "bully pulpit" of the presidency is powerful. The president can effectively use the symbols of power to further his or her reform agenda. Bush convened a meeting of all of the career senior executives early in his administration and told them that they were important members of his team. Clinton worked through Vice President Gore, who participated in town hall meetings with employees, recognized teams of employees with Hammer Awards, and actively promoted procurement reform legislation.

**Effectively coordinate and collaborate with the agencies.** The real responsibility for addressing management and performance rests with the departments and agencies and

the networks of third parties they rely upon to deliver program services. Task forces and interagency councils have emerged as an important leadership strategy both in developing policies that are sensitive to implementation concerns as well as gaining consensus and consistent follow-through within the executive branch.

**Develop a means to keep agencies and employees focused.** Once a set of initiatives has been announced, and executive orders, laws, and directives drafted, how do you keep agencies and employees focused? Other new priorities can easily distract. Persistence is important. In the case of both NPR and PMA, they developed periodic public reports. NPR issued an annual report and later developed confidential scorecards. The PMA developed quarterly scorecards on progress and made them publicly available. ●

*Note: This article is excerpted from a longer version that appears in the journal Public Administration Review, Sept/Oct 2008.*

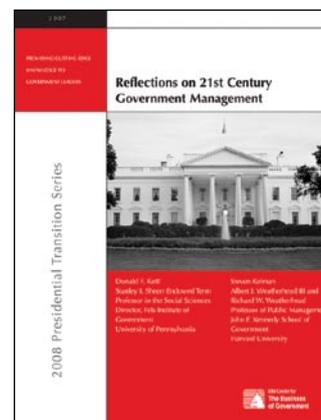
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# Words from the Wise: What Senior Public Managers Are Saying About Acquisition

*By G. Martin Wagner*

The federal government has come under increasing criticism for how it spends more than \$400 billion a year on contracts. Though some criticism may be justified, it should not eclipse the importance of understanding the problems facing acquisition—a function so critical to the delivery of government services. One avenue to insight is to ask the managers in the middle of the fray what’s wrong and how to fix it.

Over the past year, I have been talking with senior managers in the federal government, the private sector, the academic, and nonprofit communities about public management issues—the people who either manage programs or know firsthand how to make them work. They include current and former political appointees, current and former career executives, and keen observers of both. These insights give a surprisingly consistent picture of the real problems we face. Though not all executives conveyed the same message, they did appear to draw water from the same river.

## **Make Acquisition a Priority**

Not surprisingly, the consensus from my discussions is that acquisition should be given top priority. Acquisition includes program management as well as contracting. The two need to work together effectively, but the phrase often used is “fix it.” All those I spoke with see acquisition as absolutely critical to effective service delivery, and contend that it has not received the attention it demands. They see a risk of multi-billion-dollar failures and a climate that is not encouraging the right kind of action. These executives recognize their responsibility to convey the benefits of fixing the acquisition function, but they also believe their success depends on better leadership from both the executive and legislative branches. They fear that many so-called “fixes” could in fact make things worse.

## **Embrace Transparency to Restore Public Trust**

Recent acquisition scandals have eroded public trust in the government’s ability to award and manage its contracts. The impression is that the bad behavior of a few has tainted the many. Restoring trust and improving the acquisition function will require more openness and transparency along

with technical process improvements. In today’s environment, what is hidden does not get the benefit of the doubt. Acquisition professionals should embrace a core value of openness. Though there will need to be exceptions for national security or the protection of proprietary information, these should only be exceptions to a baseline of openness.

## **Put the Emphasis on Fixing Programs at the Beginning, Not Cleaning Them Up Afterward**

We need to invest more up front in getting acquisition right, not concentrate on fixing the process at the back end. It will require more than simply adding additional reviewers and auditors, though such actions have their place. Let’s learn from the private sector, where companies have learned that rework is costly and that they need to concentrate on getting things done right the first time. The government needs to do the same: That means more focus on the people, processes, and incentives involved in the acquisition function. When overworked staffs make mistakes, the answer is not more procedures or layers of review. The answer is more resources and better processes and more effort on enhancing their skills.

## **Strengthen the Workforce**

The government spends less to manage its contracts on a percentage basis than at any time in recent memory. This is not an indicator of government efficiency; it is a symptom of a problem. Years ago we viewed acquisition as a clerical function dedicated to awarding contracts to the lowest cost offeror submitting a sealed bid. We then went 10 years without hiring any new people while contracting got more complex. When the workload surged in recent years we got a double whammy: too few people with the wrong skills.

We need to recruit, train, develop, and retain new people and put them in jobs with the right incentives. We need to take acquisition seriously as a profession with a career ladder and opportunities for advancement. This should be done as part of a human capital plan, not in isolation. Putting together a human capital plan should not be used as an excuse to delay action while we study the problem. We don’t need to know exactly how many more people we need to start



*G. Martin Wagner is Senior Fellow at the IBM Center for The Business of Government and an Associate partner, IBM Global Business Services. His e-mail: marty.wagner@us.ibm.com.*

hiring. We can always make adjustments as our plan gets more refined. We know we need more good people than we have.

Hiring people into the federal government is too hard and takes too long. Finding ways to speed things up will be critical, particularly when hiring at senior levels. We have made some progress at the entry level and very little at more senior levels. It is not clear that we are giving the new hires a good enough working environment to keep them. Acquisition professionals tend to be under-resourced, undertrained, and second-guessed. Words like *toxic* or *poisonous* are used to describe what they face. Somehow, we need to find a way to make a career in acquisition more attractive.

### **Stay Away from Competitive Sourcing**

Competitive sourcing is the process of forcing certain internal federal agency functions that are considered “not inherently governmental” or “commercial in nature” to compete with private sector solutions. So, either the federal government becomes more efficient, or the specific government function will be performed by the private sector for a cheaper cost. Either the government wins the competition and gets more efficient, or the work goes to the private sector, which can do it for less. Many studies have shown savings and enhanced effectiveness from using the approach. It should be a “win-win.”

Recent experience has been anything but. Competitive sourcing has become the “roach motel” of initiatives—once a program gets into competitive sourcing, it never gets out. The program requires following elaborate, lengthy, and expensive procedures. It is a huge drain on management attention, deeply divisive, and stressful to the workforce, sucking up resources for minimal gain. In particular, it has consumed a contracting community already overextended by a surge in workload and declines in experienced staff. Its biggest impact may be that it takes attention away from far more pressing problems. It is hard to find anyone inside or outside the government who will privately say it’s a good idea.

### **Connect the Program and Contracting Sides**

One senior acquisition official gave the following formula for successful acquisition: The contracting organization needs to work closely with the program office to get the requirements clear. It needs to use competition to get the best solution. It needs to manage the contracts after award. It needs to work hand in glove with the program it is supporting. Get that right and success will follow.

Conversely, one person from the program side complained about the contracting arm failing to get sign-off from the program side and regularly delivering contracts that failed to meet the program’s needs. The formula appears to be right; the execution is sometimes lacking. Both groups need to work together.

### **Use Appropriate Metrics**

Successful acquisitions need business cases, metrics, and benchmarks. They are mere paperwork exercises if they fail to establish the right metrics beforehand and follow up on them. Business cases work if they address real issues and have real metrics used by the program to manage, but that tends not to be what we have right now. Paperwork is used to justify an investment and then is forgotten. Business cases need to be real. They need to be a tool for doing the right thing, not a tool for getting over another hurdle in the process.

### **Consider Interagency Contracts**

The Office of Management and Budget needs to take more of a leadership role in acquisition, but should be careful not to get into operational roles. We haven’t found the right balance between what different agencies should do. We have many agencies buying the same things over and over again through multiple vehicles. Interagency contracts should be the wave of the future since they conserve our acquisition workforce and we don’t have enough people. Managing them fits the role of a central provider agency like the General Services Administration. Not all agree on this, but most think that the question of who should be buying what on behalf of whom must be addressed. This

also requires specifying the roles and responsibilities of the organization establishing the contract as well as for those using the contract.

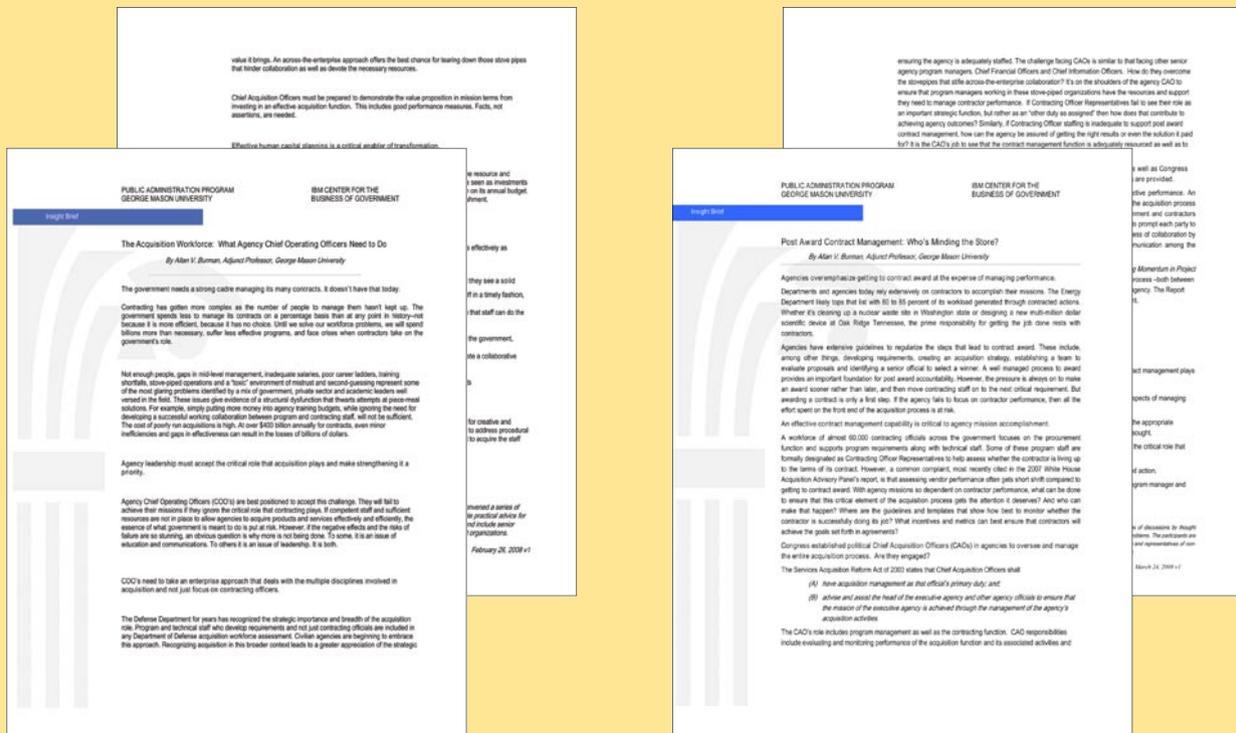
In addition, the systems used to buy goods and services need to be standardized across the government. Many feel it is absurd to have so many different acquisition support systems operating in different ways. Many agencies are still bogged down in a lethal combination of too much paper and home-grown incompatible systems.

### Ensure Leadership Buy-in

The federal government does much of its work through contractors. Making sure it is done right will pay off in almost everything the government does. Continued leadership from people like those who shared these insights will be critical. ●

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# Driving Improvements in Government Service Delivery Using Lean Six Sigma: Defense Leads the Way

By Shivraj Kanungo and Major Alfred A. Hamilton

The “tool of choice” to drive improvements across the Department of Defense is Lean Six Sigma. According to *Federal Computer Week*, about two-thirds of all Defense organizations are committed to the use of Lean Six Sigma. While its use increased after 2000, Deputy Secretary of Defense Gordon England directed the expansion of Lean Six Sigma in April 2007. As a result, hundreds of projects are currently under way across the department. What is this magic elixir? How does it work? Can it work in other government agencies?

## What Is Lean Six Sigma?

Lean Six Sigma (LSS) is a set of tools, techniques, and a methodology that helps organizations improve their efficiency as well as their effectiveness. The “lean” component of the LSS methodology is directed at eliminating waste and, in essence, delivering more value with fewer or the same level of resources or inputs. Waste is anything that uses resources without providing value to the customer, who can be external or internal to the organization.

The “six sigma” component of LSS is directed at improving the delivered quality by eliminating as many defects as possible. *Sigma* refers to a statistical standard deviation. A standard deviation measures the degree of uncertainty, or error, in any process. As the number of “sigmas” increase for a process, the uncertainty associated with achieving the process goal decreases.

## What Is “Sigma”?

- Stated in quantitative terms, for a process that performs at the two-sigma level, the chance of delivering a defect is 5 in 100, while for a process that performs at the six-sigma level, the chance of delivering a defect is less than 3.4 in a million.
- What the phrase “six sigma” connotes (especially in many service-oriented organizations) is that individuals and organizations should continuously strive to improve, and that at any level of performance there is always room for improvement.

Together, lean and six sigma methodologies can maximize organizational value by achieving the fastest possible rate of improvement in customer satisfaction, cost, quality, process speed, and invested capital.

To understand the value of Lean Six Sigma to an organization, you must first see the organization as a bundle of processes. Each process in an organization, and each step in a process, is supposed to add or contribute value to the organization. Every organizational process transforms some identified inputs into outputs. For example, if Lean Six Sigma is applied to the military recruitment process, you start with a view of the entire system—inputs, processes, and end goals.

## The Lean + Six Sigma Benefit = Improve Quality and Reduce Waste

- Lean reduces waste, but it alone cannot reduce variation. Variation is any systematic or random deviation from an expected value of process performance or process outcome.
- Six sigma can help reduce variation, but it alone cannot reduce waste or cycle times.
- Together, lean and six sigma can be used as complementary approaches on any process to eliminate waste and improve quality through reduced variation in the product or service being offered.



Shivraj Kanungo, Ph.D., is Associate Professor in the Department of Decision Sciences at The George Washington University. His e-mail: kanungo@gwu.edu.

### Applying Lean Six Sigma to the Military Recruitment Process

<b>Primary inputs:</b>	Number of recruiters and recruitment budget
<b>Main output:</b>	Total number of recruits
<b>Lean component:</b>	Address steps that involve wasteful expenditure or process steps that do not add value.
<b>Six sigma component:</b>	Minimize or address the defect opportunities (defect opportunity is anything that would jeopardize the successful recruitment of a candidate).
<b>End goal:</b>	While there is no certainty associated with the recruitment process, the idea is to minimize the uncertainty and, in that process, ensure consistency of process behavior across all recruiters.

The lean philosophy emerged from the manufacturing industry. It is rooted in the belief that there are no bad employees or workers, only a series of broken processes. High performance and outstanding results can be obtained by average people managing an excellent process. Conversely, high-performing individuals participating in a mediocre or broken process deliver average results. Once institutionalized, LSS becomes a key ingredient of continuous process improvement.

### DoD and Lean Six Sigma

The Department of Defense (DoD) has been facing increasing budgetary pressures combined with a change in the role and scope of its forces across the globe. Given such pressures, and in the face of such challenges, DoD saw fit to

change long-established operating procedures to enhance performance. By leveraging the advantages of emerging technologies, DoD has sought to foster a culture of innovation premised on the requirement that its leaders continually adapt approaches to supporting a globally deployed war-fighter. In the *National Defense Strategy of the United States of America*, then-Defense Secretary Donald Rumsfeld outlined such a vision. The prevalence of DoD-wide Continuous Process Improvement (CPI) programs represents a concrete outcome of this vision.

The urgency to improve DoD operations was further underscored in early 2007 with DoD's call for an "aggressive implementation" of Continuous Process Improvement and Lean Six Sigma (CPI/LSS) to support overall business transformation efforts. To that end, DoD established a CPI/LSS Program Office within the Office of the Deputy Under Secretary of Business Transformation, and required each DoD organization to coordinate with the program office. It also established a 12-to-14-month workforce training objective of 1 percent of the workforce to be trained as LSS black belts (the most experienced level) and an additional 5 percent to be certified as having achieved green belt status. This mandate was cascaded down into Defense organizations and required as an element in individual employee performance objectives. DoD also required its organizations to provide monthly progress reports on CPI/LSS projects and activities. Though DoD had pursued some form of process improvement initiatives for over a decade, its recent move sought to formalize and institutionalize support around a department-wide focus on Lean Six Sigma.

There have been fragmented LSS initiatives throughout organizations in the Defense Department for well over a decade now. LSS initiatives were preceded by other improvement initiatives based on Total Quality Leadership (TQL), Total Quality Management (TQM), and International Organization for Standardizations 9000 (ISO 9000).



*Major Alfred A. Hamilton, Ph.D., is Chief Medical Officer, United States Central Command, MacDill Air Force Base, Florida. His e-mail: alfred.hamilton@us.army.mil.*

So what do these initiatives look like? Each of the three following examples shows that LSS initiatives can result in dramatic improvements in different kinds of functions. They are occurring in all three types of the most common Defense functions: maintenance, service delivery, and manufacturing.

### **Lean Six Sigma in Maintenance: A Case Study of the U.S. Army Fleet Support**

Flight training exercises for military pilots at Fort Rucker, Alabama, involve over 400 aircraft launches every day. To sustain such activity requires round-the-clock daily maintenance of the aircraft fleet. Given excessive down time for engine repair, coupled with training loads and the environmental requirements put on aircrafts, the service saw less-than-desirable availability rates for these craft. Maintenance crews had to choose between performing stopgap, temporary repairs or pursuing more permanent fixes. Crews chose the latter, and Lean Six Sigma techniques were introduced to optimize operations and reduce operating costs over the shortest amount of time.

The U.S. Army Aviation Center Logistics Command (ACLC) and Army Fleet Support (AFS), or the ACLC/AFS team, substantially reduced the flying-hour costs for the TH-67 aircraft at Fort Rucker. They did it by implementing a better synchronized and more efficient maintenance planning capability and a more flexible parts acquisition approach. The success

of this effort involved collaboration among many stakeholders, including the Logistics Directorate, Maintenance Directorate, and ACLC leadership/oversight, and resulted in a steady and substantial reduction in the overall cost of maintaining the TH-67 fleet. By early 2007, \$40.2 million in cost avoidance had been achieved.

### **Lean Six Sigma in Service Delivery: A Case Study of the Army Medical Department Center and School**

The Army Medical Department Center and School (AMEDDC&S) has a Form 29E process, which establishes guidelines and procedures for the facilitation of student actions. The 29E process, which is initiated by a course director, goes through various levels of concurrence prior to determination to accelerate, recycle, or provide relief to soldiers attending training in AMEDDC&S.

Historically, the procedure experienced slow process cycle times, averaging 15 days after initiating the 29E Form, due to the staffing delays at multiple organizational levels. This entire process was inefficient and time-consuming. To reduce cycle times and enhance overall process performance, a Lean Six Sigma method was applied to each step of the Form 29E process. The project goal was to streamline the cycle process time to a maximum of 3.8 days. Upon its completion, the previous 15-day cycle time was reduced to three to five days. The project also instituted a control mechanism to eliminate variation and achieve consistency.

It was observed that as time went by, the process became consistent. As personnel got trained with the new process, the average time to process student actions continued to reduce or stay consistent. There were some localized fluctuations. For instance, during the holiday season, the behavior of the process would change depending on availability of, and accessibility to, personnel that review or process each student action.

#### **Benefits of Lean Six Sigma in Maintaining the Army's Aircraft Fleet**

- Reduction in repair cycle time
- Reduction of backlog
- Reduction in repair costs
- Reduction in excess engine parts inventories

### Benefits of Lean Six Sigma in Processing Student Training Forms

- Reduction in process cycle time
- Reduction in external inputs to the processes
- Reduction in total person-hours required to complete the process
- Reduction in the process steps
- Elimination of physical transport
- Elimination of non-value-added activities
- Improvements in internal communication
- Simplifications in the process and workflow

Originally, the Form 29E process cost \$82,950 (based on an average of 15 days). Upon completion of the Lean Six Sigma effort, this was reduced to \$28,120 (based on an average of four days) with the resulting cost avoidance of \$54,830 (for two military occupation specialty [MOS] courses in one fiscal year).

### Lean Six Sigma in Manufacturing: A Case Study of the Air Force T-38 Avionics Upgrade System Program Office

The U.S. Air Force T-38 Avionics Upgrade System Program Office (SPO) initiated a Lean Six Sigma program to increase efficiency and reduce out-year program cost and delivery risk. The primary motivation for implementing Lean Six Sigma centered on the financial benefits. Boeing benefited from aggressively implementing lean principles, converting cost to earnings for the remaining contracted fixed-price option years. The Air Force benefited from realizing substantiated out-year cost reductions for production quantities not yet contracted.

The success of the Lean Six Sigma project was measured through five interdependent performance metrics: delivery, cost, inventory, cycle time, and quality. Table 1 shows the impact of implementing lean at the T-38 Avionics Upgrade Program facility. The initial values reflect the average for each performance metric for the first 15 upgraded aircraft produced. The lean baseline values reflect the average for upgraded aircraft delivered in September 2001, prior to deploying any lean initiatives at the production facility.

### Critical Success Factors in Lean Six Sigma Initiatives

The following factors have been identified as critical to the success of Lean Six Sigma initiatives in large, complex organizations like those of the Defense Department:

- **Consideration of the organizational culture:** The strategy to roll out and implement Lean Six Sigma should be sensitive and responsive to the organization's culture. This is because when strategy and culture clash, culture always prevails. Tailor your LSS approach to your organization's culture.
- **Enterprise-wide effort:** Lean Six Sigma initiatives are more effective when done as an enterprise-wide activity. This is because Lean Six Sigma is as much about creating a collective mind-set and fostering a common understanding as it is about improving processes.
- **Importance of measures:** Appropriate metrics should be identified early. Lean Six Sigma projects often emphasize process metrics over organizational performance measures. However, these efforts must address key performance variables as well.
- **Leadership and motivation:** Motivation levels need to be sustained throughout the Lean Six Sigma initiative. LSS activities need to be the means to the end of organizational improvement. In that context, leadership is crucial to creating and fostering a climate that nurtures change and sustains continuous improvement initiatives.
- **Clearly articulated vision:** As with any institutionalized change initiative, individuals and work groups need to understand clearly what is in it for them and what their role is before, during, and after the LSS project. Often the emphasis in LSS initiatives is on the "technical" portion of the work or processes at the cost of neglecting the "social" or people portion of the work. LSS participants either assume that the people part will just happen or that other management processes will address the people part.

**Table 1: Benefits from Lean Six Sigma in the Air Force T-38 Avionics Upgrade System**

Metric	Initial value (Dec. 2000)*	Lean baseline (Sept. 2001)**	Status in August 2003
Delivery (units/month)	1	4	7
Cost (DLHs/Ship)	100%	87%	37%
Inventory (units in flow)	6	14	10
Cycle (M-days)	109	64	30
Quality (defects/1K hours)	NA	25.3	15.3

\* Initial values reflect the average for each performance metric for the first 15 upgraded aircraft produced.

\*\* Lean baseline values reflect the average for upgraded aircraft delivered in September 2001, prior to deploying any lean initiatives at the production facility.

As a result of this effort, the program saw dramatic cost reduction as well as a significant increase in production flow, or throughput. At the same time, the program saw a significant improvement in quality and in the average time to upgrade a unit.

## Conclusion

While the Lean Six Sigma approach is highly effective when properly deployed, military leaders who have successfully implemented it have found that introducing it into their organizations was not easy. The lower box on page 56 summarizes five critical success factors Defense leaders have identified as essential for Lean Six Sigma efforts.

Some critics point out that the highly structured and command-based environment that represents the traditional culture in Defense may stifle the creativity and innovation required to make critical changes to existing processes. Yet, as the examples offered here illustrate, the organizational discipline and mission orientation that define Defense also make it an ideal candidate for Lean Six Sigma.

While Defense's Lean Six Sigma initiative holds great promise, it is important for program managers and leadership to properly weave lean techniques into their organizational

setting. When management develops and communicates clarity of purpose as well as fosters organization-wide understanding and commitment to a Lean Six Sigma effort, such an undertaking can indeed yield dramatic and sustainable organizational improvements within a short time. ●

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by John Maleyeff



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# The Strategic Use of Analytics in Government

By Thomas H. Davenport and D.J. Patil

*This article is adapted from Thomas H. Davenport and D.J. Patil, “Strategic Use of Analytics in Government” (Washington, D.C.: IBM Center for The Business of Government, 2008).*

In recent years, breakthroughs in data-capturing technologies, data standards, data storage, and modeling and optimization sciences have created opportunities for large-scale analytics programs. Several organizations in the private sector have not only leveraged fact-based decision making, but also created sustained competitive advantage from data-based analytics. These organizations make extensive use of sophisticated analytics, including forecasting and predictive models, simulation, and optimization. They employ these tools first deeply within a particular business domain and then broadly across the organization.

For example, the gaming firm Harrah’s has chosen to compete on analytics for customer loyalty and service, rather than on building the mega-casinos in which its competitors have invested. Online retailer Amazon.com uses extensive analytics to predict what products will be successful and to wring every bit of efficiency out of its supply chain. Progressive Insurance has become a major competitor in the automobile insurance industry based largely on its analytical prowess around the pricing of risk. Professional sports teams such as the Oakland A’s, Boston Red Sox, New England Patriots, and AC Milan soccer team employ analytics to maximize the quality and effectiveness of their players. These organizations, and a variety of others, have clearly changed the way they compete; they have transformed their core capabilities by investing in analytics.

In brief, analytics is the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions. A fuller discussion of the concept of analytics is presented in the box on page 59.

## Strategic Analytics in Government

Government organizations and agencies don’t necessarily compete, but they use analytics to enable and drive their strategies and performance in increasingly volatile and turbulent environments. Analytics and fact-based decision making can have just as much or even more of a powerful effect on governmental missions as on corporate business objectives. The actual use of analytics in government can be either strategic—supporting or even driving the accomplishment of key missions and objectives—or tactical. Discovering just how strategically important analytics is to government missions was a key objective of this research.

There are already notable examples of the strategic application of analytics in crime prevention, including the CompStat program in New York and the CLEAR program in Chicago, both of which use geographical data on crimes to drive placement of officers and other resources. The CompStat movement has been generalized to other urban performance management functions, including public education in Philadelphia and overall city management in Baltimore. This model is well documented and understood, so it is not the primary focus of our report. Instead, we focus on the ability of government to apply analytics to business practices in several other domains. As with these crime prevention and city management initiatives, however, we focus on government use of analytics that is strategic, that is, closely aligned to the strategy and mission of the government agency or organization.

While the opportunities from analytics for improving efficiency and effectiveness appear limitless, there is much less clarity about the readiness of the government sector to do so. Whereas analytics is largely depicted as a technological innovation (often described as “business intelligence”), the strategic use of analytics in both the private and government sectors also requires massive managerial innovation. On the whole, while we found many examples of the successful use of analytics, we did not find the elements of leadership, an enterprise orientation, and long-term strategic targeting that



*Thomas H. Davenport holds the President's Chair in Information Technology and Management at Babson College. At Babson he also leads the Process Management and Working Knowledge Research Centers. His e-mail: tdavenport@babson.edu.*

would characterize both managerial innovation in general and a strategic focus on analytics in particular.

In this report, we explore the successes of analytics in governmental agencies and attempt to develop an assessment framework for those that are yet to embark on the analytics journey or are still in the early stages of it. We focus in particular on four governmental areas: health care, logistics, revenue management, and briefly (because of the paucity of public sources) intelligence. While there are certainly other domains of government in which analytics can be applied, these four certainly provide an overview of the issues involved in their application. The four sections identify governmental organizations that are exploiting analytics to meet their strategic goals. After the description of these activities and, in some cases, their impact, we discuss key factors that the agencies have faced in implementing analytics. We discuss each agency in terms of the key components necessary for leveraging analytics in our assessment framework.

We ground this framework in the strategic management literature, specifically the dynamic capabilities literature.

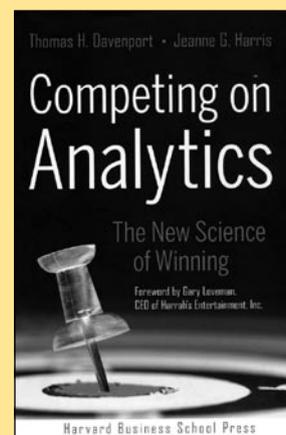
To develop this report, we relied on secondary literature (on both business intelligence and “the business of government”) to identify agencies or external suppliers to government agencies as adopters of analytics within the four areas of health care, supply chain, revenue management, and intelligence. We identified a person in charge of either an analytical group or a key consultant to that group, and conducted a semi-structured telephone interview with that individual. In several instances, the person invited two or three others from the organization to participate in the conference call in order to provide a more accurate and broader description of the analytics activities. In a few cases where analytical activities were well documented in the secondary literature, we relied solely on those accounts. We primarily focus on analytics in the U.S. government, but occasionally address examples and findings in other countries where we could find them.

## What Is Analytics?

From *Competing on Analytics: The New Science of Winning* by Thomas H. Davenport and Jeanne G. Harris (Boston: Harvard Business School Press, 2007)

By analytics we mean the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions. The analytics may be input for human decisions or may drive fully automated decisions. Analytics is a subset of what has come to be called *business intelligence*: a set of technologies and processes that use data to understand and analyze business performance....

In principle, analytics could be performed using paper, pencil, and perhaps a slide rule, but any sane person using analytics today would employ information technology. The range of analytical software goes from relatively simple statistical and optimization tools in spreadsheets (Excel being the primary example, of course), to statistical software packages (e.g., Minitab), to complex business intelligence suites (SAS, Cognos, Business Objects), predictive industry applications (Fair Isaac), and the reporting and analytical modules of major enterprise systems (SAP and Oracle).





Sirkka L. Jarvenpaa is the James Bayless/Rauscher Pierce Refsnes Chair in Business Administration at the University of Texas at Austin. In addition, she is the director of the Center for Business, Technology, and Law at McCombs School of Business, University of Texas at Austin. Her e-mail: sirkka.jarvenpaa@mcombs.utexas.edu.

## Concepts, Methods, and Tools for the Strategic Use of Analytics

Analytically focused organizations apply analytics to a clear strategic target or intent that they are attempting to optimize over time. The target may be based upon strong customer relationships and loyalty; highly efficient supply chain management; precise risk and asset management; or even hiring, motivating, and managing high-quality human resources. In the private sector, the implementation of analytical strategy has required a long, often arduous journey. For example, the Barclay’s UK Consumer Cards and Loans business took more than five years to implement its “Information-Based Customer Strategy,” undertaking technological, process, and organizational tasks to exploit analytics in its credit card and other financial businesses.

Analytical competitors also have strong human analytical capabilities at the leadership and analyst level. They have senior executive teams that are fully committed to analytical strategies and capabilities. They also have a cadre of analytical professionals who can both perform the needed analyses and work closely with decision makers to interpret and refine the analytical models.

What is not widely available in either the public or private sectors of the economy is the human dimension of analytical competition: leadership, disciplined management, and deep analytical expertise. It is these human attributes that truly differentiate successful analytical competitors. We therefore argue that managerial innovation is a better approach to establishing strategic analytical capabilities than technological innovation.

There are now a variety of analytical applications, or tools, which can be grouped under the term analytics. Some of these applications are used for internal analytics (financial, research and development, human resources) and some for external analytics (customers, suppliers). The box on page 61 describes some of the best known analytical applications that are now either in use by government or could be used by

government in applying analytics to analyzing the activities and programs of government.

### A Model for Assessing Analytical Capability

We can summarize these traits in an easy-to-remember acronym—called the DELTA model—that can serve as the beginning of an assessment approach (see Figure 1).

How do these traits apply overall to the public sector? We believe that most, if not all, are equally relevant to governments and private firms, but there are some obvious differences in how they are assessed and applied. The data, enterprise, and leadership factors are certainly relevant, and apply with minor changes.

**Data:** Governments often have privileged access to *data*, for example, though there may be greater restrictions on the security and privacy of the data. Government organizations, however, need to not only capture and “warehouse” the data, but analyze it. In the revenue management area, many states have not gone beyond data warehousing. While most

**Figure 1: DELTA Model for Assessing Analytical Capability**



## Typical Analytical Applications for Internal Processes

From Davenport and Harris

**Activity-based costing (ABC):** The first step in activity-based management is to allocate costs accurately to aspects of the business such as customers, processes, or distribution channels; models incorporating activities, materials, resources, and product-offering components then allow optimization based on cost and prediction of capacity needs.

**Monte Carlo simulation:** A computerized technique used to assess the probability of certain outcomes or risks by mathematically modeling a hypothetical event over multiple trials and comparing the outcome with predefined probability distributions.

**Multiple-regression analysis:** A statistical technique whereby the influence of a set of independent variables on a single dependent variable is determined.

of the states use commercial data management software, Colorado's Department of Revenue built its own in-house warehouse and data mining applications.

**Enterprise:** An *enterprise* approach to analytics may be equally applicable, since government organizations also need to work across functions in order to present a unified face to citizens and constituents. Despite the need for an enterprise-based approach, we found that the fragmented nature of many government organizations is a hindrance to effectively using analytics.

**Leadership:** *Leadership* is also critical in making analytics a strategic focus within government organizations, though we found fewer analytical leaders than in the private sector. Governmental leaders do not, as a group, seem to have recognized analytical capabilities as a route to meeting their strategic goals. There are a few examples of this leadership orientation in U.S. government, such as Robert McNamara, former secretary of defense in the Kennedy administration.

**Target:** We also believe that a long-term strategic *target* is critical in the government sector, although we didn't find it to be common in the agencies we researched. Strategic intent begins with a broad, sweeping goal that exceeds the agency's present grasp and existing resources. It's often difficult in government to secure the long-term funding to press toward a strategic target. Our interviews with individuals in revenue and tax agencies revealed there is seldom the commitment and resource base to make the necessary investments unless the constituency base or the agency at large faces a major challenge, due to factors unrelated to investments in analytics. As a result, long-term strategic objectives in government must usually be achieved through a series of self-funding initiatives.

**Analysts:** Finally, *analysts* are equally critical to private sector and government organizations, but it may be difficult for government organizations to hire and continue to employ

high-quality analysts. Some government organizations have looked externally for analytical talent—for example, to federally funded research and development centers (FFRDCs) such as the RAND Corporation for military supply chain analysis, and to MITRE Corporation for intelligence analysis.

## Analytics in Government Health Care

Analytics is increasingly important in health care, and in virtually every society around the globe, health care is—in part or in whole—a government responsibility. Even in the United States, where payment for health care is largely privatized, government paid 40 percent of the \$2 trillion spent on health care in 2005. Whether the providers and payors of health care are public or private, analytics is key to health care performance across at least three domains: evidence-based medicine, payment fraud reduction, and the identification of patients for disease management.

In the United States, the two biggest government health care programs are Medicare (administered by the federal government) and Medicaid (administered by states). The Department of Veterans Affairs (VA) also has a large health care program, the Veterans Health Administration (VHA). All three health care programs are increasingly focused on analytics. Medicare is perhaps an exemplar of disease management, while the states have taken the lead in Medicaid fraud reduction. The VHA is one of the leading health care provider organizations in the use of evidence-based medicine.

## Supply Chain and Human Resource Analytics in Government

One of the most important domains for analytics in the private sector is in supply chain management, where companies attempt to optimize resources and distribution channels. More recently, organizations have begun to focus on

## Typical Analytic Applications in Supply Chain

From Davenport and Harris

**Capacity planning:** Finding the capacity of a supply chain or its elements; identifying and eliminating bottlenecks; typically employs iterative analysis of alternative plans.

**Demand-supply matching:** Determining the intersections of demand and supply curves to optimize inventory and minimize overstocks and stockouts. Typically involves such issues as arrival processes, waiting times, and throughput losses.

**Modeling:** Creating models to stimulate, explore contingencies, and optimize supply chains. Many of these approaches employ some form of linear programming software and solvers, which allow programs to seek particular goals, given a set of variables and constraints.

the “human supply chain,” or the use of analytics in human resource processes. These two areas are also important for governments, and their most aggressive application has been in the military.

### Current Approaches to Supply Chain Analytics

Today, however, some analytical approaches are being employed within the military to manage inventories and supply lines. The U.S. Army, in particular, has changed its supply chain model over the past decade or so from one based on “mass”—moving large quantities of heavy goods with a “just-in-case” approach to inventory—to one based on “velocity,” or a more agile, fast-moving supply chain that operates on a just-in-time inventory basis.

### Human Resource Analytics

The military has also increasingly employed analytical approaches to the human resources “supply chain.” Particularly in wartime with an all-volunteer military, the U.S. armed forces are turning to analytical decisions related to recruitment. The analytical domains include forecasting, recruiting segmentation and pipeline models, attrition models, and force reduction strategies.

## Analytics in Government Revenue Management

Analytics is playing an increasingly critical role in at least four domains of governmental revenue management:

- Revenue analysis
- Compliance systems
- Fraud detection
- Taxpayer customer services

These applications promise to deliver financial benefits as well as improve the public image of tax agencies and the government overall. In the U.S., both the federal government and state tax agencies have developed their own analytical models for these domains. State-specific models are needed as taxpayer behavior changes across and even within states. Many analytical applications in revenue management have received awards from industry groups and vendors.

## Intelligence as an Analytical Domain

In addition to health care, supply chain management, and revenue management, there are, of course, other analytical domains within government. One of the most important is intelligence. Some areas within intelligence are highly analytical—for example, the perusal of global telecommunications traffic. Traditional “spying” or intelligence agent activities, however, are much more difficult environments in which to gather data, quantify observations, and perform quantitative analyses.

### Types of Intelligence

If one breaks down intelligence into four different types of information gathered, as did a U.S. congressional commission in 1996, the latter three types are heavily analytical and quantitative:

- **Human source intelligence**, or HUMINT, is the operational use of individuals who know or have access to sensitive information that the Intelligence Community deems important to its mission.
- **Signals intelligence**, or SIGINT, consists of information obtained from intercepted communications, radars, or data transmissions.
- **Imagery intelligence**, or IMINT, is the use of space-based, aerial, and ground-based systems to take electro-optical, radar, or infrared images.

## Signposts of Effective Use of Analytics in Government

Adapted from Davenport and Harris

- Analysts have direct, nearly instantaneous access to data.
  - Managers focus on improving processes and performance, not culling data from laptops, reports, and transactions systems.
  - Data is managed from an enterprise-wide perspective throughout its life cycle, from its initial creation to archiving or destruction.
  - High-volume, mission-critical decision-making processes are highly automated and integrated.
  - Reports and analyses seamlessly integrate and synthesize information from many sources.
- **Measurement and Signature Intelligence**, or MASINT, is the collection of technically derived data that describes distinctive characteristics of a specific event such as a nuclear explosion.

## Conclusion: Analytics as an Effective Tool for Government

The transformation to analytical competition in private sector firms is a long-term, broadly focused organizational transformation. In order to truly compete on their analytical capabilities, organizations must transform not only their technology and data, but also their cultures, their business processes, and the day-to-day behaviors of their

employees. Historically, information technology applications that challenge the prevailing institutional logic are short-lived and ultimately unsuccessful. Sustained long-term change in the public sector will require the same types of organizational transformation and managerial innovation as seen in the private sector.

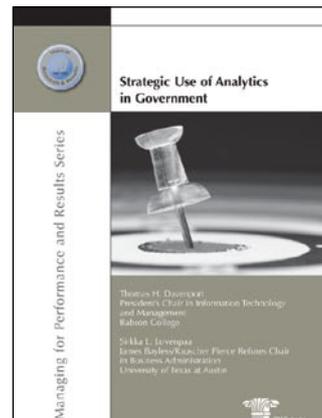
## Next Steps: Implementing Analytics in Government

Just as growing numbers of private sector firms have begun to make analytics the core of their strategies, government organizations can also put this powerful resource at the center of their efforts to achieve their missions. We can use the DELTA model to hypothesize some of the next steps that government agencies might take in order to develop more strategic approaches to analytics. ●

### TO LEARN MORE

#### Strategic Use of Analytics in Government

by Thomas H. Davenport and Sirkka L. Jarvenpaa



#### The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

# Strengthening Homeland Security: Reforming Planning and Resource Allocation

By Cindy Williams

*This article is adapted from Cindy Williams, “Strengthening Homeland Security: Reforming Planning and Resource Allocation” (Washington, D.C.: IBM Center for The Business of Government, 2008).*

## Recommendations for the New Administration and Congress

The terrorist attacks of 2001 and the events following Hurricane Katrina in 2005 revealed serious weaknesses in U.S. domestic preparedness. Since 2001, federal spending for homeland security has more than tripled in nominal terms. The executive branch created the Department of Homeland Security (DHS) to pull together many facets of the federal effort to prevent terrorist acts, protect people and infrastructure, and mitigate the consequences if attacks take place. The Bush administration also made important changes to the Executive Office of the President, including the creation of the Homeland Security Council and a new homeland security branch in the Office of Management and Budget (OMB). Congress has also made important changes.

Unfortunately, the nation is not getting two results that experts and policy makers hoped would flow from those changes: spending tied clearly to the nation’s top priorities and unity of effort across the entire federal homeland security establishment. Part of the explanation lies in the organizations, processes, and tools that surround strategic planning and resource allocation within DHS, in the Executive Office of the President (EOP), and in Congress.

## Changes to Organizational Structures

**FINDING 1:** The Executive Office of the President is not well structured or staffed to integrate the strategic planning and resource allocation that are needed to address long-term security challenges, especially when those challenges lie at the intersection of homeland security and national security.

Sound resource planning begins at the top. Unfortunately, there are major seams in the EOP between national security and homeland security. The National Security Council (NSC) handles national security, while the Homeland Security Council (HSC) deals with homeland security. But crucial 21st century security challenges lie at the intersection of the international and the domestic. To ensure coherent policy planning and resource allocation across all aspects of security, the White House seam between national security and homeland security should be erased by abolishing the HSC and folding its functions into an expanded NSC.

The seam between the NSC and HSC is also evident in the organization of OMB. In OMB, responsibility for the overall federal homeland security effort is scattered across the Resource Management Offices (RMOs), while the National Security RMO handles the international side of the security equation. Together, DHS and the Department of Defense account for more than three-quarters of total federal homeland security spending. Shifting the homeland security branch away from the General Government RMO and into the National Security RMO would put OMB’s oversight of the lion’s share of homeland security funds under a single OMB roof, thus facilitating resource allocation, consistency, and coherence.

Unfortunately, today’s NSC staff itself is often too mired in immediate issues or in planning for the next principals’ meeting to find the time to conduct the sort of long-term planning, risk assessment, gap analyses, and tradeoff studies that are needed to make real the promise of the 2002 *National Strategy for Homeland Security*. The expanded NSC staff should include a new cell dedicated to that work.

To improve national-level long-term planning and resource allocation, OMB should also be expanded, both to beef up the branches with homeland security responsibilities, and to create dedicated teams of analysts who will work with the expanded NSC staff to conduct long-term planning, risk assessment, gap analyses, and tradeoff studies.



*Cindy Williams is a Principal Research Scientist in the Security Studies Program of the Massachusetts Institute of Technology. Her e-mail: cindywil@mit.edu.*

**RECOMMENDATION 1:** The next administration should reconfigure the Executive Office of the President to strengthen White House oversight of homeland security and diminish the current seams between homeland security and national security. Specifically, the 44th president should:

- Abolish the Homeland Security Council and fold its functions into an expanded National Security Council.
- Move OMB's homeland security branch into the National Security Resource Management Office.
- Create dedicated cells within the NSC staff and OMB to conduct long-term planning, risk assessment, gap analyses, and tradeoff studies, and identify key long-term federal priorities, constrained by realistic future budgets.

**FINDING 2:** The Department of Homeland Security does not call on an operational board of senior leaders to deliberate together and advise the secretary on important tradeoffs, and lacks the analytic capacity to conduct the tradeoff studies that should inform the secretary's broad resource allocation decisions.

To be effective, DHS's Planning, Programming, Budgeting, and Execution System (PPBE) must provide an opportunity for the secretary to make his priorities known directly to the department's senior leaders, including the component chiefs, and for those leaders to air their concerns before the secretary in a shared setting. DHS's initial management directive about the PPBE called for a Joint Requirements Council to oversee the generation of mission requirements and review cross-functional and cross-component needs, but that Council does not appear to meet with the secretary or deputy secretary to deliberate on priorities and initiatives during the planning phase of the PPBE or to discuss alternatives and Resource Allocation Decisions (RADs) at the end of the programming phase.

To improve the components' sense of ownership of the process and its outcomes, DHS needs a board of senior

leaders that will meet together with the secretary or deputy secretary before the Integrated Planning Guidance is finalized, and again before the Resource Allocation Decisions are signed. The board, which might be named the Departmental Resource Planning Board, should include the secretary's top staff, the heads of the components, the director of Program Analysis and Evaluation (PA&E), and the director of the Budget Division of the Office of the Chief Financial Officer (CFO).

To make informed choices about the allocation of resources, the secretary and deputy secretary need independent assessments of the long-term costs, consequences, and risks of the components' planned programs and of alternatives to them. They should also have information about major redundancies across the department. DHS PA&E ostensibly has that mandate, but the analytic organization has a relatively junior workforce with few experienced analysts equipped to examine fundamental tradeoffs or identify redundancies that are ripe for elimination. To develop the information top leaders need to make explicit choices during the programming phase, PA&E needs a cadre of experienced analysts who devote the bulk of their time to identifying tradeoffs and assessing their costs, benefits, and risks.

**RECOMMENDATION 2:** The next secretary of homeland security should make the following changes within DHS:

- Establish a working Departmental Resource Planning Board, chaired by the secretary or deputy secretary and including the senior staff of the Office of the Secretary, the heads of the operating components, the director (PA&E), and the director of the Budget Division of the Office of the Chief Financial Officer.
- Expand the Office of Program Analysis and Evaluation to include a cohort of experienced analysts with the skills, outlook, and mandate to conduct tradeoff studies that cut across the department's operating components.

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**FINDING 3:** The current structure of Congress’s authorizing committees stands in the way of achieving a unified approach to homeland security resource allocation.

Congress altered its committee and subcommittee structures in recent years to improve its appropriations and oversight processes. The Appropriations Committees in both chambers are now aligned with DHS. The House and Senate each created authorizing committees for homeland security, but both of those committees lack jurisdiction over large parts of DHS. Instead, authorizing jurisdiction is splintered across multiple committees, and is inconsistent between the two chambers.

It is unlikely that any assignment of jurisdiction for homeland security by Congress will completely erase the seams of jurisdiction for homeland security, because homeland security efforts are spread across so many departments of the executive branch. Congress could choose to align jurisdictions for both authorizers and appropriators with the homeland security function, in which case many activities of DHS would fall outside that jurisdiction or be split between committees. Alternatively, Congress could align jurisdiction for authorizers, as it already did for appropriators, with DHS. Either arrangement would be far better than today’s. Because the work of realigning the Appropriations subcommittees has already been done, and because that model appears to be operating successfully, this report recommends that the jurisdictions of the authorizing committees also be aligned to DHS, and that the jurisdiction should also include overall policy for homeland security.

**RECOMMENDATION 3:** The 111th Congress should consolidate oversight responsibility for DHS and overall homeland security policy within a single homeland security authorizing committee in each chamber.

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**FINDING 4:** The Congressional Budget Office lacks the resources and staff it needs to conduct nonpartisan studies of homeland security issues or of issues that lie at the intersection of homeland security and national security.

The Congressional Budget Office (CBO), the Congressional Research Service (CRS), and the Government Accountability Office (GAO) provide important information and analyses that can help Congress exercise its resource allocation and oversight roles. Unfortunately, CBO currently lacks the analysts it would need to examine broad tradeoffs routinely across homeland security activities, or between homeland security and national security. The staff of CBO’s National Security Division and Budget Analysis Division should be

expanded to facilitate more studies of homeland security programs and of alternatives that cut across agencies.

**RECOMMENDATION 4:** The 111th Congress should provide the resources needed to expand the National Security Division and the Budget Analysis Division of the Congressional Budget Office, to include at least 10 analysts between the two divisions who are skilled in assessing the costs and implications of administration plans and potential alternatives for homeland security and for functions that lie at the intersection of homeland security and national security. The director of CBO should carry out the expansion.

### Changes to Processes and Tools

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**FINDING 5:** The absence of a budget function for homeland security, coupled with the hodgepodge of appropriation accounts for the various components of DHS and the lack of a consistent historical record of homeland security spending by agency and mission, stand in the way of an integrated approach to homeland security resource allocation and congressional oversight.

The federal budget functions constitute an important tool for tracking budgets systematically. In Congress, they form the basis of each year’s first cut at resource allocation to match broad national priorities, the Concurrent Budget Resolution. The absence of a federal budget function for homeland security robs both branches of a useful tool and sidesteps the government-wide perspective that the Budget Committees could bring to the effort.

Creating a single new budget function for homeland security would permit leaders and analysts to view the overall shape of the federal homeland security effort and identify trends over time. Seeing such trends can provide insight into the alignment of resources with strategy and help analysts and policy makers identify areas where a shift of resources would make sense. More importantly, it would bring the Budget Committees and their broad perspective on national priorities and revenues into the picture.

Whether or not a new budget function is created, OMB’s collection of budget data related to homeland security needs to be strengthened. A consistent historical record of spending by agency and by mission is essential to sound resource allocation for the future. Responsibility for collecting such a record would seem to belong not in the RMOs, but in OMB’s Budget Review office.

The lack of a central appropriation structure complicates the jobs of DHS PA&E and the CFO, and may hamper the

translation of the homeland security secretary's broad goals into budgets. Congress should work with the White House and DHS to create a single set of appropriation titles for the department.

A more useful appropriation structure would separate DHS's homeland security functions from its non-homeland security activities. Within the homeland security function of each component, it would include six separate accounts, one for each of the critical mission areas. Such an account structure would facilitate resource allocation by mission.

**RECOMMENDATION 5:** The next administration and Congress should work together to improve federal budget structures, account structures, databases, and reports to foster a more unified and mission-oriented approach to homeland security budgets and oversight. Specifically:

- The 111th Congress should create a new homeland security budget function that includes all of the federal homeland security activities currently reported by OMB in the chapter on Crosscutting Programs of the *Analytical Perspectives* volume of the federal budget.
- Congress should require, and OMB should establish, a historical record of homeland security spending by agency and mission, to be included in the historical tables of the annual budget submission.
- The new Congress, working with the new secretary of homeland security, should create a unified set of mission-based appropriation accounts for the department.

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**FINDING 6:** The plethora of homeland security strategy documents is confusing, and DHS resources are not well linked either to the strategies or to DHS assessments of threats, vulnerabilities, and risks.

The allocation of federal resources for homeland security across departments and agencies of the executive branch and across components of DHS is not firmly and visibly linked to strategic priorities and risks. Part of the problem lies in the strategy documents and other guidance developed within the Executive Office of the President. The continually expanding collection of strategy documents, Presidential Directives, and executive orders related to homeland security make it difficult to discern genuine priorities and to establish clear linkages between those priorities and the federal resources devoted to homeland security.

To establish national priorities for homeland security and set the stage for resource allocation, the Executive Office of

the President should publish a new strategy for homeland security at least every four years. The document should focus on the top priorities, and top priorities should be incorporated into it rather than scattered across a profusion of documents.

National and DHS assessments of threat, vulnerabilities, and risks should underpin both the strategy and the allocation of resources. Yet current assessments appear to be inconsistent in their depth and do not appear to be used in the management of risks across departments or components. The EOP and DHS should develop the tools they need to integrate threat, vulnerability, and risk assessments across components and departments. They should consider those integrated assessments as a basis for shifting resources across components and departments. The integrated assessments may well require a different approach to analysis than the department currently appears comfortable with—one that sparks and relies on public discussion of broad categories of threats and risks.

The EOP and DHS put enormous energy into the preparation of strategy documents and strategic plans. Yet currently there is also no formal review that delineates the linkages between strategy and resources. The 110th Congress mandated such a review—to be called the Quadrennial Homeland Security Review (QHSR)—in the 9/11 Commission Act of 2007. It is crucial that the new administration undertake such a review during its first year in office.

The 9/11 Commission Act of 2007 places responsibility for the QHSR in the hands of the secretary of homeland security. With more than half of the federal homeland security effort falling outside DHS, however, the secretary is likely to lack both the clout and the government-wide perspective to establish priorities and develop the resource plan for homeland security across the federal government. A better choice is to place responsibility for the QHSR within the Executive Office of the President. The QHSR should form the basis of plans and resource allocations for all federal homeland security activities.

**RECOMMENDATION 6:** The new administration should take the following actions to improve its articulated homeland security strategies and strengthen the linkages between strategy and resources for homeland security:

- The Executive Office of the President and the new secretary of homeland security should improve national and DHS assessments of threats, vulnerabilities, and risks.
- Within the first year, the Executive Office of the President should update, integrate, and streamline the strategy documents for homeland security. A single overarching strategy for homeland security should include a prioritized list of

the nation’s critical homeland security missions and a prioritized list of the critical missions to be carried out by the federal government. The national strategy for homeland security should be updated at least every four years.

- Within the first year, the Executive Office of the President should conduct a Quadrennial Homeland Security Review that draws genuine long-term links between the strategy articulated in the streamlined homeland security strategy document and the resources the administration intends to devote to homeland security. The QHSR should start with the administration’s national homeland security strategy; articulate a prioritized list of the nation’s critical homeland security missions; and identify the federal programs, infrastructure, and budget plan that will be required to implement the strategy successfully.
- The secretary of homeland security should use the QHSR as the basis of the PPBE in DHS. The QHSR should also form the basis of plans, programs, and budgets for homeland security in the other departments and agencies with roles in homeland security.

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**FINDING 7:** As practiced in DHS, the PPBE lacks formal mechanisms to facilitate the secretary’s personal involvement, to build consensus for resource allocation decisions among the component heads, and to provide the secretary of homeland security with independent analyses of the costs, risks, and other implications of the components’ plans and alternatives to them.

DHS’s early leaders got the department off to a good start when they established a PPBE and a Future Years Homeland Security Program and created PA&E. As practiced today, however, the PPBE lacks formal mechanisms to facilitate the secretary’s personal involvement and build consensus for his priorities, initiatives, and resource allocation decisions among senior leaders of the department and its components.

The secretary should decide early during the planning phase on his top priorities. He should discuss those priorities and his preferences for the coming budget in a meeting with senior leaders. A meeting early in the planning phase of the Departmental Resource Planning Board proposed in Recommendation 2 would facilitate the direct communication of top priorities and the early airing and resolution of issues that cut across components.

The Integrated Planning Guidance (IPG) is the formal written vehicle for pressing the secretary’s priorities and preferences into the process. Yet in early cycles of the PPBE, the IPG went out to the operating components without the

secretary’s signature. Without the review and signature of the secretary or deputy secretary, component leaders can legitimately question the authority of the IPG. A signed IPG, delivered on time to the components, is essential to an effective PPBE.

During the programming phase, strategies should be translated at the department level into program and budget reality. That is not happening. With a few exceptions (such as the current border security initiative), budgets are allocated to the components based on the shares they received in previous years. The components are instructed to align their programs to national and departmental strategy, but are generally left to allocate their shares as they see fit. Thus, the components are still largely in charge of setting their own agendas. To translate national strategy effectively into budget reality, the department’s leaders need to make informed choices about how resources will be allocated across components and programs.

Making informed choices requires information and analyses about the costs, risks, and other implications of the components’ plans as well as about alternatives the secretary could consider. PA&E should conduct such analyses, and their results should be presented to the secretary or deputy secretary and the Departmental Resource Planning Board during a meeting scheduled toward the end of the programming phase.

**RECOMMENDATION 7:** The new secretary of homeland security should make improvements to the department’s PPBE process and should engage personally at key points in the process. Specifically, the secretary should:

- Institutionalize a meeting of the Departmental Resource Planning Board to discuss priorities in advance of preparation of the Integrated Planning Guidance.
- Personally review the Integrated Planning Guidance and sign it on schedule.
- As part of the program review, instruct the director (PA&E) to conduct tradeoff studies and provide information about the costs and risks associated with a variety of alternatives to component programs. Alternatives should include tradeoffs within and among components. The tradeoff studies should form the basis of some draft Resource Allocation Decisions, or RADs.
- Institutionalize a meeting of the Departmental Resource Planning Board to review the alternatives considered in PA&E’s tradeoff studies and discuss draft RADs.

**FINDING 8:** Congress's nonpartisan support agencies play an important role in providing information and analyses that can help lawmakers improve the allocation of federal resources to homeland security.

Congress needs to engage more effectively in overall homeland security policy and its ramifications for future spending. CBO, CRS, and GAO play important roles in providing information and analyses that can help lawmakers as they consider the allocation of federal resources to homeland security.

The newly mandated QHSR provides a new vehicle for participation by Congress and its support agencies. To get the most out of the quadrennial review, the homeland security committees should request that CRS prepare a report in advance of the review, detailing issues that the review is expected to raise for Congress. Upon publication of the QHSR, they should request that CBO assess the likely implications of the review for future costs and effectiveness, and develop broad alternatives for Congress to consider. Armed with those reports, Congress should conduct cross-

committee hearings into the course the administration plans to set.

CBO provides Congress with an annual study of the costs and other implications of Department of Defense plans and programs. A similar study of the administration's homeland security plans and programs would provide lawmakers with information they need to allocate resources, both among homeland security efforts and between homeland security and other national priorities. CBO also conducts studies of important national security policies and programs at the request of the chair or ranking member of defense committees of jurisdiction. Such studies would be useful to lawmakers who wish to understand the costs, risks, and other implications of specific administration policies and programs. Congress should routinely request such studies from CBO after the organization is expanded as in Recommendation 4.

**RECOMMENDATION 8:** The 111th Congress should make specific requests to the Congressional Budget Office, the Congressional Research Service, and the Government Accountability Office

## Key Recommendations

1. The next administration should reconfigure the Executive Office of the President to strengthen White House oversight of homeland security and diminish the current seams between homeland security and national security.
2. The next secretary of homeland security should establish a working Departmental Resource Planning Board and expand the office of Program Analysis and Evaluation.
3. The 111th Congress should consolidate oversight responsibility for DHS and overall homeland security policy within a single homeland security authorizing committee in each chamber.
4. The 111th Congress should provide the resources needed to expand the National Security Division and the Budget Analysis Division of the Congressional Budget Office.
5. The next administration and Congress should work together to improve federal budget structures, account structures, databases, and reports to foster a more unified and mission-oriented approach to homeland security budgets and oversight.
6. The new administration should take actions to improve its articulated homeland security strategies and strengthen the linkages between strategy and resources for homeland security.
7. The new secretary of homeland security should make improvements to the department's PPBE process and should engage personally at key points in the process.
8. The 111th Congress should make specific requests to the Congressional Budget Office, the Congressional Research Service, and the Government Accountability Office for studies of the administration's plans for homeland security and alternatives to them.
9. The 111th Congress should conduct cross-committee and cross-subcommittee hearings of homeland security issues and of issues that lie at the intersection of homeland security and national security.

for studies of the administration’s plans for homeland security and alternatives to them. At a minimum:

- During the first year, CRS should be asked to provide a report on the issues for congressional consideration that are likely to be raised by the QHSR.
- During the first year, the chairmen and ranking members of the House and Senate homeland security authorizing committees should ask CBO to prepare an assessment of the administration’s QHSR.
- The chairmen and ranking members of the House and Senate homeland security authorizing committees should ask CBO each year to conduct a study of the costs, risks, and other implications of the administration’s plans for homeland security and of alternatives to those plans.
- The chairmen and ranking members of committees and subcommittees of jurisdiction should ask CBO to conduct studies of major homeland security programs that identify and analyze a menu of options for consideration by lawmakers.

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**FINDING 9:** Congress lacks an integrated approach to resource allocation and oversight of homeland security and of issues that lie at the intersection of homeland security and national security.

The reorganization of congressional authorizing committees as suggested in Recommendation 3 could go a long way toward improving the integration of homeland security resource allocation and oversight in Congress. Multiple committees will still have jurisdiction over homeland security activities that lie outside of DHS, however. Issues that lie at the intersection of homeland security and national security will also continue to cut across committees and also across subcommittees of the Appropriations Committees. To facilitate a more integrated approach by Congress to 21st century security challenges, the Budget Committees should hold hearings about the broad homeland security effort, and Congress should routinely hold cross-committee and cross-subcommittee hearings on homeland security.

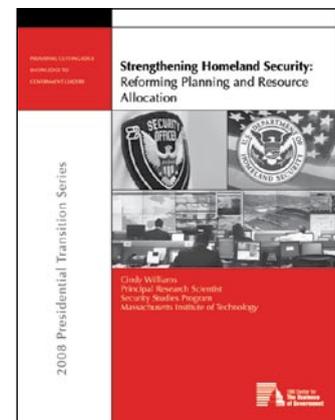
**RECOMMENDATION 9:** The 111th Congress should conduct cross-committee and cross-subcommittee hearings of homeland security issues and of issues that lie at the intersection of homeland security and national security. In particular:

- The House and Senate Budget Committees should hold hearings to help determine an appropriate allocation of resources to the newly instituted homeland security budget function.
- Following the administration’s submission to Congress of the QHSR, lawmakers should hold cross-committee hearings on the administration’s review, informed by the CBO and CRS reports.
- Authorizing committees and Appropriations subcommittees should conduct regular joint hearings of homeland security activities that continue to cut across committee or subcommittee jurisdictions.

Improved organizations and processes are not the solution to every problem. Capable leaders can push their priorities into programs and budgets even when organizations are ill equipped or processes are weak, and poor leaders can subvert even the most impressive processes. Nevertheless, solid structures and sound processes for planning and resource allocation can help decision makers get needed information about the costs and potential consequences of the options available to them. They can help leaders establish control over priorities by strengthening the links between strategies and budgets. Perhaps most important for the federal homeland security effort, they can help to pull the policies and budgets of competing organizations into a cohesive whole. ●

**TO LEARN MORE**

**Strengthening Homeland Security: Reforming Planning and Resource Allocation**  
by *Cindy Williams*



**The report can be obtained:**

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

# What All Mayors Would Like to Know About Baltimore's CitiStat Performance Strategy

By Robert D. Behn

*This article is adapted from Robert Behn, "What All Mayors Would Like to Know About Baltimore's CitiStat Performance Strategy" (Washington, D.C.: IBM Center for The Business of Government, 2007).*

Dear Mayor:

So you've heard about CitiStat. Perhaps you saw Baltimore's former mayor, Martin O'Malley, extol its virtues. Perhaps you heard Baltimore's current mayor, Sheila Dixon, explain how she is adapting it to her administration's priorities. Perhaps you learned about it at a conference, or by reading about it in a magazine or report or online. And you've heard that CitiStat can improve the performance of city agencies—that it can motivate a city's managers and employees to produce the kind of results that citizens value.

Now you want your own CitiStat.

But what exactly does this mean? What does it entail? What do you need to do? What do you need to do first? What do you need to worry about? What are the potential pitfalls? What can you expect to accomplish? Should you really bother? I'm sure that you have lots of questions.

This report is designed to answer all of the questions that you have—plus some that may never have occurred to you. These answers will help you get started, recruit an effective staff, create the necessary (though minimal) infrastructure, achieve some successes, learn from these successes (and the inevitable failures too), and create a durable (if evolving) performance strategy that can motivate a city's managers and employees to produce the kind of results that you promised during your election campaign.

## What Exactly Is CitiStat?

### The Concept

**Q: What exactly is CitiStat?**

**A: A leadership strategy!**

CitiStat is a leadership strategy that a mayor can employ to mobilize city agencies to produce specific results.

The obvious and operational components of CitiStat are its meetings and questions, its targets and data. But these visible features are only the vehicles by which the mayor focuses the personal attention, the management energy, the operational tactics, and the creative talents of the people in individual city agencies on the task of producing clearly specified results.

**Q: What is CitiStat not?**

**A: CitiStat is not a system.**

There is no correct, prescribed, fixed "model" for CitiStat. No one has created the "mold" from which all other CitiStats must be cast. There exists no organizational "genome" from which to create a DNA test to determine whether a CitiStat is a true descendent of the original. No one has designed the template that a city must methodically follow if it is to officially qualify as practicing CitiStat.

### The Purpose

**Q: What is CitiStat designed to accomplish?**

**A: More and better results!**

CitiStat is designed to improve the performance of every city agency. Each city agency is charged with producing results. Otherwise the agency has no reason to exist. Thus, the purpose of CitiStat is to help, motivate, cajole, and, if necessary, pressure agency managers to achieve more and better results.



Robert D. Behn is a lecturer at Harvard University's John F. Kennedy School of Government and the faculty chair of the School's executive-education program on "Driving Government Performance: Leadership Strategies that Produce Results." His e-mail: [redsox@ksg.harvard.edu](mailto:redsox@ksg.harvard.edu).

**Q: Whose results?**

**A: *The mayor's results!***

As the city's elected chief executive, the mayor is the official responsible for the overall management of the city—for establishing its strategic direction and producing results. And, obviously, the citizens elected this mayor because they expected that he or she would accomplish something—perhaps some very specific somethings that the mayor promised during the campaign, perhaps just some general somethings that now need to be translated into specific operational improvements.

**Q: What kind of results?**

**A: *Service-delivery targets.***

In Baltimore, Mayor O'Malley and his staff established a set of key performance targets for every city agency. Each target reflected a specific type of service that the city provided to its citizens that was to be completed within a specific time period.

For example, O'Malley established the "48-hour pothole guarantee." If a citizen called in a request to fill a pothole, the Department of Public Works would fill that pothole within 48 hours.

**Q: How does CitiStat produce these results?**

**A: *Through leadership!***

Again: CitiStat is not a mechanical system. It is not an evaluation scheme. It is not a computer program. CitiStat is a leadership strategy that permits the mayor and his management team to track, analyze, appraise, diagnose, and improve the results produced by every city agency.

This requires leadership—active leadership by the mayor, by the mayor's key deputies, and by agency managers. In any organization (public, private, or nonprofit) of any size (a large corporation or a small local office), the top manager cannot expect to produce results in absentia. To produce real results, the manager must be personally engaged in everything

from establishing the targets to be achieved, to monitoring progress, to analyzing failures, to rewarding success.

## The Commitment

**Q: What kind of commitment does CitiStat require?**

**A: *A real, serious commitment.***

No mayor should initiate the creation of CitiStat without fully recognizing the implications of the undertaking. Thus, a mayor who wishes to establish CitiStat not only needs to make a real commitment; he or she also needs to dramatize this commitment.

## How Does a City Get Started?

### The Beginning

**Q: What should a city do first?**

**A: *Start with what it has.***

In Baltimore, the CitiStat staff began by asking each agency to bring what data it already had. Not surprisingly, most agencies brought two kinds of data: financial data and personnel data. Most agencies were not really collecting performance data of any kind. For other administrative reasons, however, they were all collecting lots of data—particularly data about money and people. They collected financial data so that they could keep track of their budget and comply with various reporting requirements. And they collected personnel data so that they could keep track of their staff and comply with various reporting requirements.

From these data, the CitiStat staff quickly figured out that Baltimore had a big overtime problem. Thus, it began focusing its initial analyses and meetings on the challenge of getting control of overtime.

Each city will begin in its own way. It will begin with the data that are available and with the performance deficits that it considers most important or most amenable to some swift and significant improvements.

**Q: How much resistance will a city get—and from whom?**

**A: *Some active, mostly passive.***

Any new initiative in any large organization creates resistance. Some of this resistance comes from the passive pessimists who conclude, “Why bother?” Some of this resistance comes from active malcontents who have become comfortable with their existing procedures and routines and see no reason to change; indeed, these individuals may be significantly inconvenienced by the new initiative.

**Q: What kinds of mistakes can a city make?**

**A: *All kinds of mistakes.***

No one pulls off a new initiative without making any mistakes. A mayor has to accept that a new CitiStat will not be any different. If the city tries to copy Baltimore’s approach precisely, it will make mistakes. No other city is precisely like Baltimore, and thus the details of what Baltimore did will be perfectly suited for no other city. If the city tries to copy Baltimore’s approach, it will make mistakes—for it will miss one or more important differences between it and Baltimore, or it will misinterpret the nature or magnitude of a key difference.

## Initial Progress

**Q: How ambitious should a city be?**

**A: *Enough to create some obvious successes.***

One way to convert the passive pessimists into active adherents is to create some quick wins. The size of the wins is less important than that they be quick and obvious. Karl Weick of the University of Michigan has called this “the strategy of small wins” (1984). Don’t undertake to solve all of your problems at once. You can’t. So don’t try.

**Q: How can a city get results quickly?**

**A: *By focusing on eliminating obvious, simple obstacles to improve performance.***

The quick wins will come by strategically selecting opportunities to eliminate annoyingly small yet clearly consequential barriers that are preventing city agencies from producing more or better results. Such a barrier could be obsolete rules that no one has felt authorized to change. It could be the lack of a key resource such as a piece of equipment or an individual with particular training. It could be the inability of two agencies to collaborate effectively to produce a common product.

## What Measures and Data Does a City Need?

### The Measures

**Q: How does a city know what to measure?**

**A: *It depends on what the mayor is trying to accomplish.***

As with every other choice about how to conceive and create, then implement and adjust a CitiStat leadership strategy, this decision also depends upon CitiStat’s purpose. Architects operate by Louis Sullivan’s important principle: “Form ever follows function” (1896). Architects can’t make important decisions about the design of a building until they know what purpose the building will serve. Similarly, those who would design a CitiStat for a city need to start with their purpose. Only once the mayor has established in his or her own mind what CitiStat should strive to accomplish—and is able to clearly articulate this purpose to CitiStat staff and agency heads—can they begin to decide what they will measure.

**Q: Who decides what to measure?**

**A: *All city employees and stakeholders can contribute.***

The mayor has a monopoly on deciding what CitiStat should seek to accomplish. At the same time, when formulating this objective, the mayor needs to listen to a variety of people. Like everyone else on the face of the planet, the mayor does not possess a monopoly on wisdom.

### The Data

**Q: What kind of data does a city really need?**

**A: *Data that helps to reveal how well the city is doing in achieving the mayor’s objectives.***

For example, if a mayor is focused on filling potholes, the mayor (and the CitiStat staff) needs data on potholes. How many potholes were reported? How many potholes were filled? How quickly were they filled?

**Q: What kind of data does Baltimore actually use?**

**A: *All kinds of data including internal, administrative data, plus data on how city agencies responded to citizen requests for specific services.***

CitiStat utilizes a variety of standard administrative data (usually for two-week periods). For the Department of Transportation, such administrative data include parking citations issued, vehicles towed, and signs installed and repaired. For the Department of Recreation and Parks, these data include number of trees pruned, stumps removed, programs for school groups, and volunteer

hours. For the Department of Housing and Community Development, these data include the housing code enforcement inspections (including the daily average by district and area). Such data and more can be found on the CitiStat website ([www.ci.baltimore.md.us/news/citistat/index.html](http://www.ci.baltimore.md.us/news/citistat/index.html)).

**Q: How does a city ensure the integrity of the data?**

**A: Audit it.**

Each agency closes its own service requests, or SRs, by entering this information into the CitiTrack system. Consequently, Baltimore has to check to be sure that the citizen's request for service has indeed been satisfied. It does this by randomly calling each week 100 citizens to see if they are satisfied with the city's work.

**Q: Does CitiStat employ any qualitative data?**

**A: Yes.**

Neither the mayor, the first deputy mayor, the director of CitiStat, nor the CitiStat staff are hunkered down in City Hall staring at their computer screens. They also live in the city. They observe city operations themselves. They hear from constituents. They read the newspapers and listen to the news. Consequently, when an agency fails to fulfill expectations—either a citizen's, a journalist's, or their own—they quickly seek to fix the mistake.

**Q: Can a city use outcome data or does it have to rely on output data?**

**A: Rarely will a city have outcome data that is available sufficiently quickly to be used managerially to make operational improvements.**

The standard measurement mantra is: "Don't measure inputs. Don't measure processes. Don't measure activities. Don't measure outputs. Only measure outcomes." Unfortunately, in city government (indeed, in any government) this is often difficult. Sometimes it is impossible. Consequently, a CitiStat strategy may have to rely more on output data than on outcome data.

## What Kind of Infrastructure Does a City Need?

CitiStat may be a leadership strategy. Nevertheless, the implementation of this leadership strategy takes place within a specific operational framework. It takes place in a room, depends upon some specific forms of technology, and (as always) needs a budget.

## The Technology

**Q: What kind of technology does a city need?**

**A: Enough so that the city can collect, analyze, and display data about results.**

Over time, Baltimore's technology has become more sophisticated. In the beginning, however, it was not particularly polished. As its initial search for data was pragmatic and opportunistic, so was its choice of technology. It began with what was available.

Today, Baltimore's CitiStat relies on four types of technology: (1) the 311 phone system, (2) the CitiTrack data system, (3) spreadsheet templates and analytical frameworks for analyzing data, and (4) computers and projectors that display the maps, charts, and data during a meeting.

**Q: What is the 311 City Call system?**

**A: A single centralized method for citizens to request services from the city.**

In addition to CitiStat, Baltimore created its 311 City Call system (an innovation pioneered by Chicago). A citizen who wants a city agency to do something no longer has to figure out what agency that is and what the phone number for that agency is. Nor does the citizen need to resort to calling 911 with the pretext that the request is an emergency. Instead, the citizen just dials a single number—311—for all such requests. Like a lot of other cities with a 311 number, Baltimore refers to this as "one call to city hall."

**Q: Where does Baltimore obtain the special equipment it uses?**

**A: Off the shelf.**

Baltimore has obtained the various components of the information technology that it uses for CitiStat strictly from standard sources. None of Baltimore's equipment is proprietary. The computers in Baltimore's CitiStat offices are no different from those in any other city hall.

## The Budget

**Q: How much did it cost to create CitiStat?**

**A: \$20,000.**

The initial setup cost for CitiStat—for the room and the information technology—was just \$20,000. Most of this went for the information technology. The facilities—the room in which the CitiStat meetings are held and the offices in which

the CitiStat staff work—were created from underutilized parts of City Hall. Consequently, the start-up funds that were not spent on technology went for sheetrock, tables, and chairs.

**Q: What is the annual operating cost of CitiStat?**

**A: *Half-a-million dollars per year.***

For FY 2007, the operating budget for Baltimore's CitiStat was \$509,000. All but \$6,000 of this was for salaries and benefits.

**Q: To what component of the city's budget is CitiStat assigned?**

**A: *The mayor's budget.***

CitiStat is a unit within the mayor's office. Consequently, the CitiStat operating budget is part of the mayor's operating budget.

**Q: How does CitiStat influence the budget process?**

**A: *Indirectly.***

Once a month, an agency's CitiStat meeting will begin with a budget update and an examination of specific funds: Why is this running over budget? Why is it running under? Then, once a year, CitiStat conducts a detailed review of each agency's budget.

**Q: Should the CitiStat office be part of the budget department?**

**A: *No.***

Baltimore emphasizes that if CitiStat is run out of a city's budget office, the sole measure of concern will quickly become dollars saved.

In contrast, the CitiStat office has a different set of purposes. Primarily, the CitiStat office wants to improve the results produced by city agencies.

## What Is the Purpose, Operation, and Impact of the Meetings?

### The Participants in the Meeting

**Q: Who attends the meeting?**

**A: *Several dozen people from the agency and the mayor's office.***

A CitiStat meeting is a deliberation that involves the management team from a city agency and key personnel from the mayor's office.

**Q: Who does *not* attend the meeting?**

**A: *Journalists, stakeholders, and citizens.***

CitiStat is an internal management meeting—the mechanism that the mayor uses to run city government. Consequently, participation is limited to those with direct operational responsibilities for the specific agency under discussion. (Occasionally, journalists have attended a CitiStat meeting, but they do this to write a feature story, not to provide ongoing coverage.)

### The Conduct of the Meetings

**Q: What should be the mayor's role at the meeting?**

**A: *Both a little and a lot.***

A little, in the sense that the mayor needs to neither conduct nor attend the meeting. A lot, in the sense that the mayor needs to clearly confer authority on the person who does run the meeting.

**Q: What is the role of the mayor's staff and the CitiStat staff at the meeting?**

**A: *To ask more questions, offer suggestions, and provide support.***

Although the first deputy mayor (or the director of CitiStat) runs the meeting and controls the movement of the agenda from topic to topic, other members of the mayor's staff contribute their own questions, comments, and suggestions.

## What Did Baltimore Accomplish?

Mayor O'Malley created a room, collected data, analyzed the numbers, held meetings, asked lots of questions of middle managers, and pushed agency directors for new strategies. Through all of this, the mayor sought better performance. But what, exactly, did Baltimore accomplish?

### Results

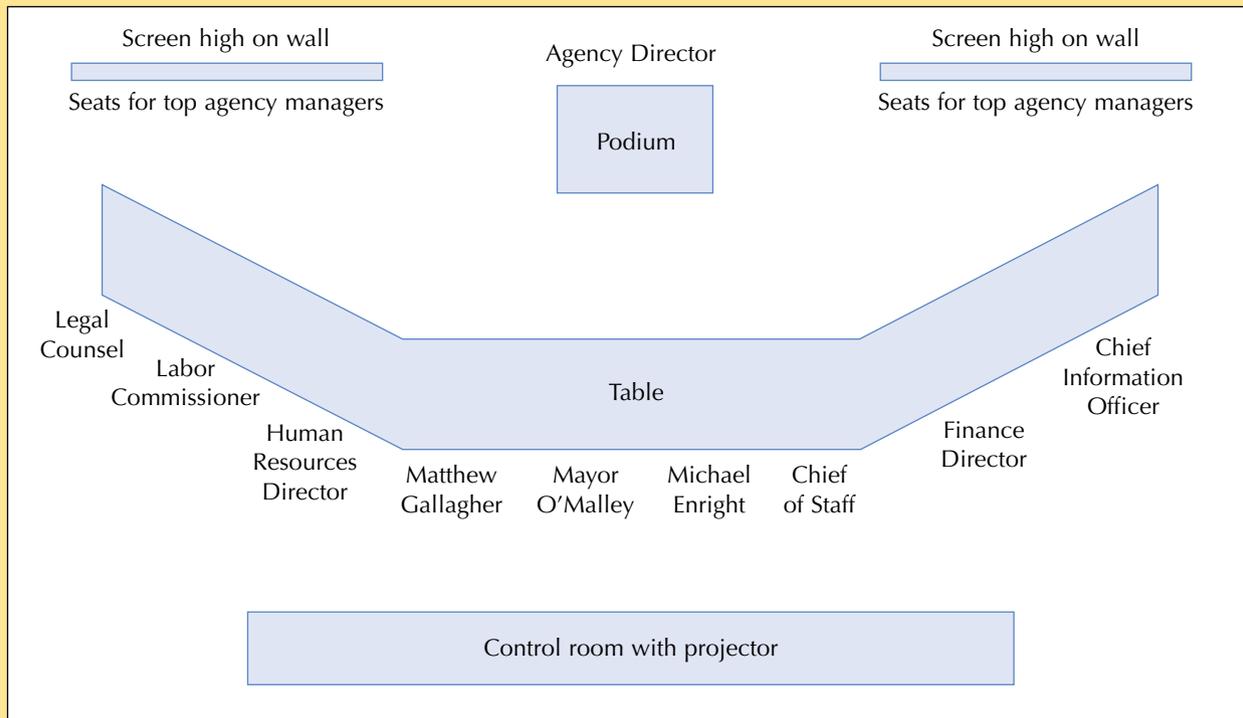
**Q: What results did CitiStat produce?**

**A: *It saved Baltimore money.***

In March 2007, at a conference organized by the Community Indicators Consortium, a CitiStat staff member delivered a presentation emphasizing two important impacts of CitiStat:

- "Through improved accountability on overtime spending, absenteeism, and managed contracts, the program has demonstrated cumulative positive financial impacts of over \$350 million in its seven years of existence. This does not include service improvements benefits.

**Figure 1: A Rough Schematic of Baltimore’s CitiStat Room During the O’Malley Administration**



- “This allowed reinvestment of \$54 million in the previous two fiscal years in children’s programs, including \$25 million in school construction and renovation” ([www.communityindicators.net/documents/CICCitiStatPresentation.pdf](http://www.communityindicators.net/documents/CICCitiStatPresentation.pdf)).

**Q: What else did CitiStat produce? What were some performance improvements?**

**A: It filled potholes—lots of potholes, and very quickly.**

Among the multiple targets that Baltimore set for completing various service requests, none was more visible than Mayor O’Malley’s “48-Hour Pothole Guarantee.”

**Q: Did Baltimore do anything else besides fill potholes?**

**A: Yes, it improved its performance—and tightened its targets—for a number of priority service requests.**

Whenever a citizen calls 311 with a service request, the operator gives the caller both a service-request number and a target time (in days) in which the city commits to fulfilling the request. Over the years, the city has added SRs and tightened its target times for numerous SRs.

## Cause and Effect

**Q: Can Baltimore “prove” that CitiStat was the cause?**

**A: Of course not.**

Any change in the results produced by a public agency has many causes. Rarely does a public agency take only one action while carefully holding the rest of its behavior faithfully constant. And even if, to examine the impact of this one action, the agency tried and was able to do so for a long enough period of time (years? decades?), there would still exist a variety of external factors that are constantly changing and which do—or, at least, might—have an impact on the results.

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- Weick, Karl E. “Small Wins: Redefining the Scale of Social Problems.” *American Psychologist*, Vol. 39, No. 1 (January 1984), pp. 40–49.

**Q: What results can other mayors in other cities expect CitiStat to cause?**

**A: A lot, or maybe a little, or maybe nothing.**

Another mayor in another city cannot simply copy Baltimore's CitiStat. Any mayor has to adapt its core concepts to his or her city's current needs. After all, during Martin O'Malley's seven years as mayor, Baltimore's CitiStat was not fixed, but frequently changing. Indeed, the same is true for Baltimore's current mayor, Sheila Dixon; she will have to do the same thing. She too must continually adapt the use of the CitiStat strategy to Baltimore's current needs and her own priorities.

## What Is the Future of CitiStat?

### Uniqueness

**Q: Could the CitiStat performance strategy be effective in a jurisdiction that did not have a strong-mayor form of government?**

**A: Sure.**

CitiStat requires leadership—not a particular organizational structure. No characteristic of the CitiStat approach restricts its effectiveness to a city with a strong mayor. It could easily be employed in a municipality with a council and city-manager form of government.

**Q: Could the CitiStat performance strategy work within an agency itself?**

**A: It has.**

After all, the original version of this performance strategy was CompStat, developed by the New York City Police Department. CitiStat is an adaptation of CompStat.

## Sustainability

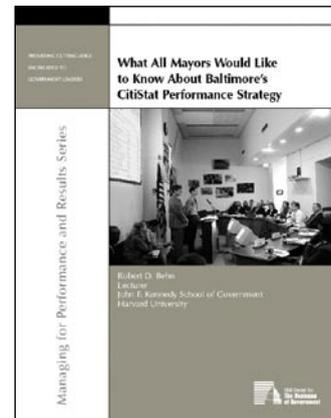
**Q: What kind of approach will increase the probability that the next mayor will continue using CitiStat to manage a city?**

**A: Produce real, visible results!**

A CitiStat-style performance strategy is of no value unless it helps government produce better results. ●

### TO LEARN MORE

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by Robert D. Behn



#### The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

# Resolving Conflicts in Collaborative Networks

By Rosemary O’Leary and Lisa Blomgren Bingham

*This article is adapted from Rosemary O’Leary and Lisa Blomgren Bingham, “A Manager’s Guide to Resolving Conflicts in Collaborative Networks” (Washington, D.C.: IBM Center for The Business of Government, 2007).*

Public managers who work in networks find themselves facilitating and operating in multi-organizational arrangements—and often with the public—to solve problems that cannot be solved, or solved easily, by single organizations. In their IBM Center report on managing networks, Milward and Provan (2006) write that one of the most important tasks for network managers is to try to minimize the occurrence of conflict and try to resolve it successfully if and when it does occur. They conclude that although network organizations generally commit to achieving network-level goals, conflict among network participants is inevitable.

At a recent national conference on collaborative public management convened by the two authors of this report, leading public administration scholars and practitioners present concluded after two and a half days of deliberation and debate that given the prevalence of networks, the most important skills needed for today’s managers are negotiation, bargaining, collaborative problem solving, conflict management, and conflict resolution. Yet many public managers find themselves ill-equipped for management in a shared-power world. The purpose of this report is to help managers manage and resolve conflicts in collaborative networks.

## Characteristics That Add to the Complexity of Network Disputes

Networks are interorganizational and interpersonal. There are multiple forums for decision making. There are multiple parties and multiple issues. Oftentimes there is technical

### What Is a Network?

1. “Networks are structures of interdependence involving multiple organizations or parts thereof, where one unit is not merely the formal subordinate of the others in some larger hierarchical arrangement. Networks exhibit some structural stability but extend beyond formally established linkages and policy-legitimated ties.... The institutional glue congealing networked ties may include authority bonds, exchange relations, and coalitions based on common interest, all within a single multi-unit structure” (O’Toole, 1997, 45).
2. Networks are “structures involving multiple nodes—agencies and organizations—with multiple linkages. A public management network thus includes agencies involved in a public policy making and administrative structure through which public goods and services are planned, designed, produced, and delivered (and any or all of the activities). Such network structures can be formal or informal, and they are typically intersectoral, intergovernmental, and based functionally in a specific policy or policy area. That is, officials from government organizations and agencies at federal, state, and local levels operate in structures of exchange and production with representatives from profit making and not for profit organizations” (McGuire, 2003, 4).
3. “... [N]etworks of public organizations ... [involve] formal and informal structures, composed of representatives from governmental and nongovernmental agencies working interdependently to exchange information and/or jointly formulate and implement policies that are usually designed for action through their respective organizations” (Agranoff, 2004, 63).

**Source:** Milward and Provan, 2006.



Rosemary O'Leary is Distinguished Professor of Public Administration and Maxwell School Advisory Board Endowed Chair at Syracuse University. Her e-mail: roleary@maxwell.syr.edu.

### What Is Collaborative Management?

Collaborative management is a concept that describes the process of facilitating and operating in multi-organizational arrangements to solve problems that cannot be solved or easily solved by single organizations. Collaborative public management may include participatory governance: the active involvement of citizens in government decision making.

*Source: O'Leary, Gerard, and Bingham, 2006.*

complexity. There may be unequal power and resources. Conflicts in networks often are public and sometimes political. All of these characteristics make managing conflicts in networks extraordinarily challenging and generate an important public management paradox: *Collaboration may yield conflict.*

### The Spiral of Unmanaged Conflict in Networks

If conflict in networks is not managed properly, the results are predictable: The problem emerges, sides form, positions harden, communication stops, resources are committed, the conflict goes outside the network, perceptions become distorted, and eventually a sense of crisis emerges. The conflict spiral is not inevitable, but it is predictable when conflict is not managed at an early stage. The earlier a network conflict is managed, the better. Thus, collaborative managers need to be conflict managers and conflict resolvers. *Conflict resolution is effectively group problem solving.*

### A Collaborative Problem-Solving Approach Based on Principled or Interest-Based Negotiation

Interest-based negotiation uses collaborative problem solving and creativity to uncover ways to meet many of the collective needs of the negotiation parties. It is a

negotiation strategy that focuses on satisfying as many interests or needs as possible for all negotiators. It is a problem-solving process used to reach an integrative solution rather than distributing rewards in a win/lose manner. It is not a process of compromise. *The basic tenet of interest-based bargaining is issue resolution through interest satisfaction.*

In preparing for interest-based negotiation, one should:

- Identify the subject and scope of the negotiation.
- Identify one's best alternative to a negotiated agreement (BATNA).
- Identify the necessary and appropriate network participants.
- Identify the BATNAs of each of the other network participants.
- Identify your interests and identify or speculate on the interests of the other network participants. Positions are what people say they want. Interests are what they need.
- Determine whether those who participate in network meetings have the authority to bargain and, if not, who in their organization does have authority.
- Address ground rules or protocols for negotiation.

The basic steps to doing interest-based collaborative problem solving are as follows:

- Define the issue and frame it as a dilemma or challenge to be solved together.
- Educate each other about your interests: disclose, listen, and ask.
- Look for ways to "expand the pie": create value before you claim value.
- Generate multiple options for settlement; if you get stuck, go back and review what people's interests are.
- Evaluate the options (how well do they meet needs?).



Lisa Blomgren Bingham is the Keller-Runden Professor of Public Service at Indiana University's School of Public and Environmental Affairs, Bloomington, Indiana. Her e-mail: lbingham@indiana.edu.

- Select/modify options based on which ones meet needs most.
- Use objective criteria to resolve impasses.
- Develop a plan to implement the agreement including monitoring.

There are a number of critical but relatively easy-to-acquire communication skills that will improve one's ability to achieve mutually advantageous outcomes in conflict within the network. These include asking problem-solving questions to identify interests, using reflective or active listening to reduce tension and manage the conflict spiral, and responding to hard-bargaining tactics through a variety of means including the use of "I-statements," not "You-statements." I-statements use the first person (*I* or *we* or *our*) to describe your interests and concerns to the other side. For example, "I need to be able to report X to the Board of Trustees" or "I am concerned about how the taxpayer might view this" or "I am interested in getting the job done in the most efficient way given our budget constraints."

For negotiation and collaborative problem solving in the context of a network, a good, long-term bargaining relationship is not the same as approval of the other side, shared values, avoidance of disagreement, or perfect trust. *Instead, it is establishing an attitude that is unconditionally constructive by using rationality in response to emotion, understanding others when they misunderstand you, consulting others even if they appear not to listen, being reliable in that you do not try to deceive, being non-coercive and not yielding to coercion, and accepting others and their concerns as worthy of consideration* (Fisher and Brown, 1988).

## Governance Structures and Conflict in Networks

How the network chooses to govern itself, lead members, develop consensus, and create conventions for dialogue and deliberative processes are all critically important and demanding for networks. Just the design of governance rules

for the network can be a complex procedure. Building agreement on the governance structure of a network includes:

- Identifying network members whose agreement is necessary
- Identifying the scope and jurisdiction of the network
- Addressing issues of the network's legitimacy
- Negotiating the ground rules
- Negotiating the processes governing exchanging views
- Discussing administration and allocation of responsibilities
- Negotiating the decision rules for closure on an issue
- Identifying a system for resolving impasse
- Identifying a decision process for ending the network

## Networks and Conflict with the Public

Particularly for public organizations that are in networks, there is a unique responsibility to citizens. Conflict has emerged because of a perceived lack of transparency of networks and perceived problems with accountability, and because networks often address issues of concern to the public. Managers operating in networks must collaborate with other network participants to determine when and how to engage the public in decision making. The interest-based collaborative problem-solving tools and approaches discussed in this report take many forms in collaborative governance processes and are useful to managers who work in networks. Participatory democracy, deliberation and dialogue, deliberative democracy, and, more broadly, collaborative governance have emerged as a movement in response to perceived failings in representative democracy with respect to conflict over public policy. This movement seeks more citizen deliberation, dialogue, and shared decision making in governance and is directly applicable to the work of networks.

In sum, network complexity yields conflict that can spiral if not managed. Interest-based negotiation provides managers the skills they need. Negotiating governance structures can

**Table 1: Comparison of Negotiation Approaches**

Position-Based	Interest-Based Collaborative
Views other as adversary	Views other as negotiating partner
Approaches negotiations as a struggle one must survive or win	Approaches negotiation as a challenge for all partners to overcome
Emphasis on claiming value	Emphasis on creating value
Goal is a victory by achieving your predetermined solution	Goal is to create a solution to meet the interests of all parties
Process dictated by belief that one must impose or sell one's position	Process governed by belief that well-meaning, creative people can articulate options to satisfy mutual interests
Relies on salesmanship, manipulation, or lying	Requires honest disclosure of what is important to you
Might force choice between relationship and substantive goals	Allows parties to focus on relationship and substance
Yields reluctantly to pressure from other side	Willingly revises position when presented with good options
Usually results in win-lose, lose-win, lose-lose, or compromise outcomes	Potentially results in collaborative win-win outcomes

*Source: Adapted from Katz, 2007.*

prevent conflicts down the road. Managers should plan for involving the public to resolve conflicts which may result over policy issues.

## Conclusion

It is a challenging time to be a public manager. Many public managers are both unitary leaders of unitary organizations *and* work with other organizations and with the public through networks. Public managers must work both with autonomy and interdependence, and they must be both authoritative and participative. These tensions, coupled with the challenges of working with a variety of organizations and with a diverse public, generate the ultimate public management paradox: Collaboration in networks may yield conflict.

Conflict within networks is not inevitable, yet it is predictable if that conflict is not managed.

In this report we presented an interest-based collaborative problem-solving approach that can be used to manage and resolve conflicts in networks. The approach is based on using group creativity to uncover ways to meet many of the collective needs of the members of the network. It stands in stark contrast to old-school ways of negotiating where network members develop predetermined solutions and stand their ground.

What we have argued here is that to become an effective group problem solver within a network, members should invest in preparation, bring an open mind to network meetings, and brainstorm options collaboratively with other

### Questions Networks Should Ask Before Engaging the Public

- Are there compelling reasons not to undertake this issue?
- Can you find time and resources?
- How will you ensure that the political leadership is on board?
- How will you address the "history" of related issues?
- What is your strategy to link talk to action?
- How will your purpose lead your process?
- How will participants be selected?
- How will you achieve greater diversity in participation?
- How will you tackle real disagreements?
- What is your communication plan?
- How will you let community members know which recommendations were accepted, which were not, and why?
- How will you learn from the experience?

*Source: Adapted from Amsler, 2007.*

network members. This means identifying their own and their organization's interests and needs in advance, as well as researching and thinking about the other parties' interests and needs prior to negotiating. It also means focusing on creative solutions that address the procedural, substantive, and relationship (or psychological) needs of all the parties involved.

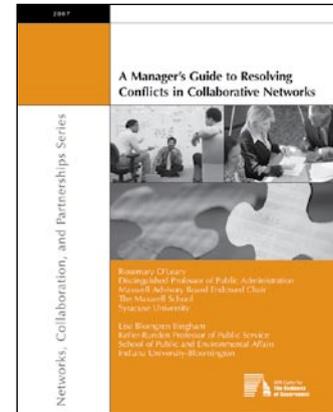
The interest-based collaborative problem-solving approach can be tailored to design the governance structure of a network. It also can be used to decide how to administer the network. In addition, it can be built into network processes and procedures as the preferred way to handle conflicts. And it can be modified and used in a variety of ways to engage citizens in participatory democracy since networks often carry out the essential missions of governance.

Public organizations that are in networks, in particular, have a unique responsibility to citizens. Network governance has received criticism on two fronts: its lack of transparency and perceived problems with accountability. We hope that the lessons learned from the negotiation and conflict resolution fields communicated here have contributed to the knowledge of network management. We also hope that the primer on

engaging the public in discussion and deliberation through networks will serve to spark new and creative ways to solve collaboratively our most pressing public policy problems. ●

### TO LEARN MORE

#### **A Manager's Guide to Resolving Conflicts in Collaborative Networks** by Rosemary O'Leary and Lisa Blomgren Bingham



#### **The report can be obtained:**

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

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# Engaging Citizens in Measuring and Reporting Community Conditions

By Alfred T. Ho

*This article is adapted from Alfred Ho, "Engaging Citizens in Measuring and Reporting Community Conditions" (Washington, D.C.: IBM Center for The Business of Government, 2007).*

For the past few decades, the exercise of performance measurement in government has gradually become more sophisticated, evolving from an accounting exercise that focused primarily on cost efficiency and control to a managerial system in which the use of performance data is integrated into strategic planning, program management, budgeting, and personnel management.

As the depth and breadth of performance measurement and management continues to grow, it is easy to lose sight of a fundamental premise of the tool: to provide information to citizens and their representatives and help them understand how the government has utilized taxpayers' resources, what the government has accomplished, and how effective and responsive it has been in doing its job. As the notion of "results-oriented" management becomes more popular in government today, questions like "Results for whom?" and "Who defines results and performance goals?" should be asked more often among public managers and policy makers.

**Table 1: Comparison of Different Models of Performance Measurement and Reporting**

	The Traditional Performance Management Model	Public Engagement Approaches	
		The Partnership Model	The Community Indicators Model
<b>Who is in charge</b>	Professional public managers	Government officials and citizen representatives	Community/nonprofit leaders
<b>Role of the public</b>	Minimal, committee members at best	Co-decision-maker	Initiator, manager, agenda setter, and decision maker
<b>Prerequisite conditions</b>	Strong professional interest in performance measurement and management	Professional interest, openness to sharing power with citizen representatives, not a highly politicized environment	Professional interest, strong network among community organizations, public agencies, academic experts, and stakeholders
<b>Continuity challenges</b>	Depends on the professional interest of public managers	Depends on the political term and will of the elected officials and the tenure of managers	Depends on the nonprofit leadership, funding
<b>Breadth of citizen participation</b>	Limited	Depends on the negotiation between government officials and citizen representatives	Usually wide participation by community leaders, nonprofit organizations, academic experts, and public agencies
<b>Resource requirements</b>	Usually not a major concern	Significant time and resource commitment by government officials and citizens	Significant challenges
<b>Impact on program management policy</b>	Potential to enhance program efficiency and effectiveness	Great potential for direct impact on management policy making	Impact varies and depends on various circumstantial factors

The purpose of this report is to present specific guidelines to local public managers as well as nonprofit leaders on how they can work with each other and with citizen representatives to use public input to guide community conditions measurement and reporting. This report challenges the traditional notion of “performance management,” in which public managers dictate what indicators should be used and how data should be analyzed and presented, and suggests that public engagement should play a larger role in the process.

Two models of public engagement are recommended in this report. The “partnership” model emphasizes equal sharing of power between citizen representatives and public officials in deciding what and how performance indicators should be used. This model is illustrated through a case study of the Des Moines “Citizen-Initiated Performance Assessment” project in 2001–2004, which

was a partnership between the city government of Des Moines, Des Moines Neighbors, and several universities in the region. The second model, which is the “community indicators” model, gives even more power to the public by empowering and supporting nonprofit organizations in a community to measure the quality of life and policy outcomes through self-organized efforts and collaborative partnerships between government, nonprofit, and business organizations. This approach is illustrated through a case study of the Boston Indicators Project, which released its 2004–2006 report in June 2007, its fourth biennial report.

The two case studies show how local public officials can work effectively with citizen representatives and community leaders to define the critical issues in public policies and community conditions, develop specific indicators to measure progress, and engage elected officials and the public in using the data to guide policy making.

**Table 2: Sample of Community Indicators Projects That Show Strong Collaboration Between the Government and the Nonprofit Sector**

Project	Website
<b>In the United States</b>	
Baltimore Neighborhood Indicators Alliance	<a href="http://www.bnia.org">www.bnia.org</a>
Boston Indicators Project	<a href="http://www.bostonindicators.org">www.bostonindicators.org</a>
Community Indicators Initiative of Spokane County (Washington)	<a href="http://www.communityindicators.ewu.edu">www.communityindicators.ewu.edu</a>
Community Vision, Osceola County (Florida)	<a href="http://www.communityvision.org">www.communityvision.org</a>
Jacksonville Community Council, Inc.	<a href="http://www.jcci.org">www.jcci.org</a>
Maine Marks	<a href="http://www.mainemarks.org">www.mainemarks.org</a>
Metropolitan Philadelphia Indicators Project	<a href="http://claweb.temple.edu/mpip/">http://claweb.temple.edu/mpip/</a>
Oklahoma County Vital Signs	<a href="http://www.unitedwayokc.org/research_vs.html">www.unitedwayokc.org/research_vs.html</a>
Pittsburgh Today	<a href="http://www.pittsburghtoday.org">www.pittsburghtoday.org</a>
The State of Chattanooga Region Report	<a href="http://www.researchcouncil.org">www.researchcouncil.org</a>
Strategic Spartanburg (South Carolina)	<a href="http://www.strategicspartanburg.com">www.strategicspartanburg.com</a>
Sustainable Seattle	<a href="http://www.sustainableseattle.org">www.sustainableseattle.org</a>
Truckee Meadows Tomorrow (Nevada)	<a href="http://www.quality-of-life.org">www.quality-of-life.org</a>
Worcester Regional Research Bureau’s Benchmarking Reports	<a href="http://www.wrrb.org">www.wrrb.org</a>
<b>Outside the United States</b>	
Community Indicators Victoria (Australia)	<a href="http://www.communityindicators.net.au/">www.communityindicators.net.au/</a>
London Sustainable Development Commission’s Quality of Life Indicators Project	<a href="http://www.london.gov.uk/mayor/sustainable-development/susdevcomm_indicators.jsp">www.london.gov.uk/mayor/sustainable-development/susdevcomm_indicators.jsp</a>
Quality of Life Measurement, City of Winnipeg (Canada)	<a href="http://www.winnipeg.ca/services/government/planwinnipeg/rev">www.winnipeg.ca/services/government/planwinnipeg/rev</a>
Sustainable Community Indicators Program (Canada)	<a href="http://www.ec.gc.ca/soer-ree/English/scip/">www.ec.gc.ca/soer-ree/English/scip/</a>



*Alfred Tat-Kei Ho is an Associate Professor at the School of Public and Environmental Affairs, Indiana University–Purdue University Indianapolis. His e-mail: alfred@ho.net.*

### A Case Study of the Partnership Model: Des Moines’ CIPA Project

Between 2001 and 2004, the City of Des Moines implemented a program known as the “Citizen-Initiated Performance Assessment” (CIPA) project, in which public officials and neighborhood representatives jointly developed performance measures and used them to examine community development issues.

Also, like many other cities in the nation, Des Moines needed to battle the challenges of urban sprawl into different suburbs in the metropolitan area, of degrading infrastructure, and of revitalization of its downtown and many old neighborhoods to retain and attract residents. Hence, how residents perceived the quality of life in their neighborhoods and how satisfied they were with different public services were some of the top concerns of Des Moines officials. City management was very supportive of the project, hoping that it would give them a fresh look at government performance from the citizens’ perspective.

The Des Moines CIPA project offers an interesting case study of the partnership model of public involvement in performance measurement and reporting. Through the project, the citizen performance team showed Des Moines officials what areas of public services they were most concerned about and what performance measures were understandable and most meaningful to them. As a result, government officials could prioritize their focus and resources more effectively in the exercise of performance measurement. Since data collection, analysis, and reporting can be very time-consuming and expensive, and many government agencies are already fiscally stressed, a more focused strategy can be very helpful.

The Des Moines experience shows how fragile a partnership can be despite the potential benefits to a community. Without strong and committed support from both the governmental and community leaders, a project like the Des Moines CIPA may not be able to sustain itself easily. That is why alternative models of citizen-government partnership like the community indicators model discussed next should also be explored.

**Table 3: Linking Critical Issues: An Example from the Des Moines CIPA Process**

Topic	Critical Issues	Performance Measures
Odor Control	“Where are the problems?”	Number of complaints received—by neighborhood
	“Are citizens satisfied with the air quality and the current level of odor control?”	Satisfaction level of surveyed residents—by neighborhood
	Satisfaction of city response after a complaint is filed	Level of satisfaction with the services received after a complaint or hotline call was made a month before
Control of Illegal Dumping	“Where are the problems?”	Number of complaints received—by neighborhood
	Timeliness of city response	Average time taken to make the first response, and to resolve the problem, after a complaint or hotline call was received—by neighborhood Percentage of cases followed by departmental actions within X number of hours
	Overall satisfaction with the level of current dumping control	Regular satisfaction tracking of neighborhood leaders—by neighborhood

**Figure 1: The Homepage of the 2006 Boston Indicators Project**



Source: <http://www.bostonindicators.org/IndicatorsProject>.

## A Case Study of the Community Indicators Model: The Boston Indicators Project

The Boston Indicators Project was originally created by a partnership between the City of Boston and the Boston Foundation, which is similar to the partnership model adopted in the CIPA project in Des Moines. From the very beginning, the Boston Indicators Project adopted a highly open process in order to solicit public input in developing and using the indicators. As a result of the community deliberation process, indicators for 10 sectors were developed: civic health, cultural life and the arts, the economy, education, the environment, housing, public safety, public health, technology, and transportation.

Although the Boston Indicators Project began as a measurement project focused on sustainability issues, it has gradually evolved to become a broad-based community engagement effort that focuses on two tracks:

1. A consistent, long-term effort to track change in Greater Boston across 10 sectors through about 70 indicators and 150 measures
2. A civic agenda that focuses civic, community, business, and government leadership and inter-sectoral collaborations on key trends, challenges, and opportunities, and tracks progress on shared civic goals

These two tracks are inseparable and intertwined.

## Recommendations

From the Des Moines and Boston experiences, the report provides specific recommendations on the following aspects:

- How to prepare government and community leadership to engage the public in performance measurement and community conditions reporting before the project launch

- How to solicit public input and engage the general citizenry effectively in designing performance indicators
- How to report community conditions and program results effectively to citizens so that the content of the report, whether in paper or electronic media, is meaningful, understandable, accessible, credible, and compelling to citizens
- How to engage the public in follow-up after the release of a performance report so that the analysis can be used to empower policy makers, community leaders, and public managers to take responsive action

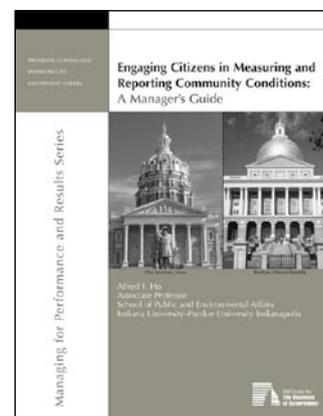
Data storage and processing technologies are continuing to develop rapidly; web-based technologies are becoming more accessible to the general public; and nonprofit leaders, citizens, and elected officials are becoming more aware of the power of information and demanding greater transparency and accountability in government. As a result, public managers in the 21st century will have to think beyond traditional bureaucratic boundaries in the exercise of performance measurement and engage community leaders and the public more aggressively in designing, using, and disseminating information about government performance and community conditions.

This report challenges policy makers and program managers to think about these questions more openly by presenting two models of public engagement in government performance and community conditions reporting. It is hoped that through wider public participation, the performance measurement exercise within and outside the government will eventually become a more effective mechanism to hold the government accountable to the public. ●

## TO LEARN MORE

### Engaging Citizens in Measuring and Reporting Community Conditions: A Manager's Guide

*by Alfred T. Ho*



#### The report can be obtained:

- In .pdf (Acrobat) format at the Center website, [www.businessofgovernment.org](http://www.businessofgovernment.org)
- By e-mailing the Center at [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

## Recently Published IBM Center Reports

### Human Capital Management Series



#### Seven Steps of Effective Workforce Planning

*Ann Cotten*

Successful private and public sector organizations must have robust human capital strategies in order to meet current and future business needs. Perhaps the most critical of these strategies is workforce planning. Workforce planning tells an organization what types of skills are needed to get the job done. It helps to ensure that the organization has the right people with the right skills in the right job at the right time. In this report, the author introduces a Seven-Step Workforce Planning Model, which provides a sound framework for understanding the basic elements of workforce planning. The model incorporates workforce planning concepts from two organizations: the International Public Management Association for Human Resources and the Office of Personnel Management. The report walks the reader through the steps involved in workforce planning, including defining the organization's strategic direction; identifying current and future workforce needs; determining gaps; implementing strategies to close these gaps; and monitoring, evaluating, and revising the gap-closing strategies.

### Innovation Series

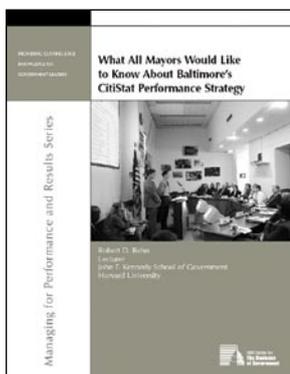


#### Transforming Government Through Collaborative Innovation

*Satish Nambisan*

The message of this report is that government no longer needs to “innovate” all by itself. Government, like the private sector, is now beginning to tap into and deploy the resources of organizations and individuals in other sectors to develop and create innovations, such as new ways to deliver public services. Government's challenge is to learn from similar private and nonprofit sector experiences, developing new ways to move beyond the boundaries of individual government agencies and find innovative ideas in what may have been, until today, the least likely of places. This report provides a guidebook for government on ways to reach out.

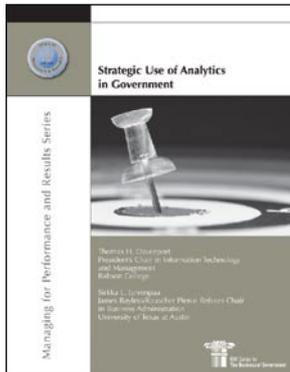
### Managing for Performance and Results Series



#### What All Mayors Would Like to Know About Baltimore's CitiStat Performance Strategy

*Robert D. Behn*

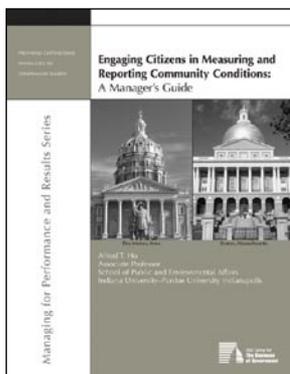
Baltimore's CitiStat program is an exemplar of managing for performance in government. As the CitiStat program received increased attention, Baltimore became a frequent destination for mayors from across the United States and the world to see how the program worked. Based on these visits and ongoing discussions with CitiStat staff, Dr. Behn prepared this report to summarize and present the questions most frequently posed to CitiStat staff and to then-Mayor Martin O'Malley. In January 2007, O'Malley was sworn in as governor of Maryland and quickly began implementing a StateStat program. The new mayor of Baltimore, Sheila Dixon, has continued the CitiStat program. While most mayors were impressed with CitiStat and aspired to replicate the program, many were not sure how to proceed. This report explains how CitiStat should be viewed as a leadership strategy rather than a management system. When viewed in this way, Behn argues, the program can be replicated and customized to each mayor's individual needs and priorities.



## Strategic Use of Analytics in Government

*Thomas H. Davenport and Sirkka L. Jarvenpaa*

Governments use analytics (often described as “business intelligence”) to enable and drive their strategies and performance in an ever more volatile and turbulent environment. Analytics and fact-based decision making can make a powerful contribution to the achievement of government missions, just as they are now making to the accomplishment of corporate business objectives. In their report, Professors Davenport and Jarvenpaa explore several important applications of analytics in government agencies and develop an assessment framework for those that either have not yet embarked on the analytics journey or are still in the early stages. The report focuses on four governmental mission and management areas—health care, logistics, revenue management, and intelligence—to which analytics has been applied.

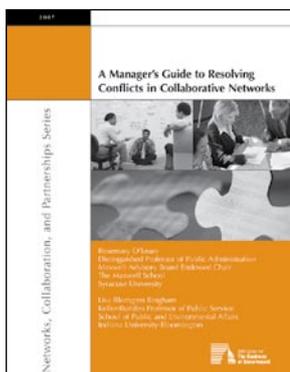


## Engaging Citizens in Measuring and Reporting Community Conditions: A Manager's Guide

*Alfred T. Ho*

In this report, the author examines “how government officials can engage the public more directly in performance measurement and reporting efforts and how they can communicate more effectively about the efforts and accomplishments of public policies and programs.” The goal, he notes, is to “make performance measurement and reporting more relevant and meaningful to taxpayers.” The report specifically addresses how citizens can become involved in measuring government performance. It contains valuable insights that can be extended to other local communities considering engaging citizens in performance measurement, as well as to the national level, where the Key National Indicators Initiative is beginning to attract increased attention. The author presents two case studies—one from Des Moines, Iowa; the other from Boston, Massachusetts—where these trends converge. While each of these cases reflects different strategic approaches, they both attempt to bring together what government does and what citizens see as being important in their community.

## Networks, Collaboration, and Partnerships Series

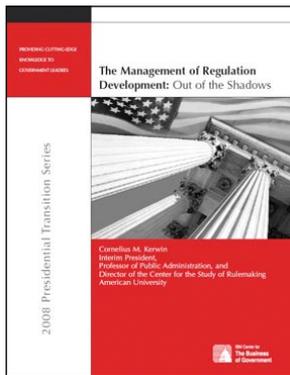


## A Manager's Guide to Resolving Conflicts in Collaborative Networks

*Rosemary O'Leary and Lisa Blomgren Bingham*

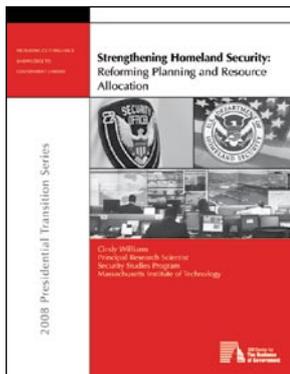
The O'Leary and Bingham report expands on previous Center reports by adding an important practical tool for managers in networks: how to manage and negotiate the conflicts that may occur among a network's members. The approach they describe—interest-based negotiation—has worked in other settings, such as bargaining with unions. Such negotiation techniques are becoming crucial in sustaining the effectiveness of networks, where successful performance is defined by how well people collaborate and not by hierarchical commands.

## 2008 Presidential Transition Series



### **The Management of Regulation Development: Out of the Shadows** *Cornelius M. Kerwin*

In this report, Dr. Kerwin contends that the greatest challenge facing the management of regulation development is its obscurity. In most federal mission areas, from low-income housing to food safety to higher-education assistance, national goals are achieved through the use of various policy tools, such as direct spending, grants, loans and loan guarantees, insurance, tax preferences, and regulations. Although policy tools have proliferated in recent decades, knowledge of how to design and manage the federal policy tool set has not kept pace. Policy makers need a better understanding of how individual policy tools such as regulation operate, how to measure the performance and effectiveness of regulations, which actors participate in implementing regulations, and what characteristics are necessary to ensure accountability. The author illustrates important steps to bringing regulation development into a new light as well as raising its management to a level of prominence befitting its impact on public policy.



### **Strengthening Homeland Security: Reforming Planning and Resource Allocation** *Cindy Williams*

This report presents findings about the organizational structure, processes, and tools that surround planning and resource allocation for homeland security in the executive branch and Congress. The author explores problems with today's arrangements and offers recommendations for consideration by the next president and the next Congress. Improving planning and resource allocation can help leaders establish control over priorities by strengthening the links between strategies and budgets. Perhaps, as Williams compellingly suggests—and most important for the federal homeland security effort—improved planning and resource allocation can help pull the policies and budgets of the individual components of homeland security into a cohesive whole.

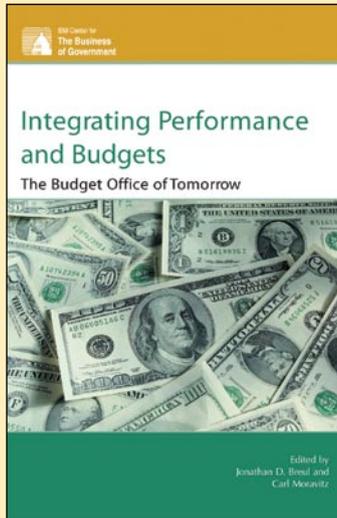
## Strategy and Transformation Series



### **Improving Service Delivery in Government with Lean Six Sigma** *John Maleyeff*

Dr. Maleyeff's report is a comprehensive review of how public sector managers can use Lean Six Sigma to improve the execution and delivery of results for the general public, written in an easily understood format intended for practitioners at all levels. The report highlights the need to translate the Lean Six Sigma methods from applications in manufacturing to the service-oriented environment of the public sector. The author sets forth specific actions that public sector managers can take in starting and implementing Lean Six Sigma projects, and provides the reader with a description of the Lean Six Sigma deployment process from program development to project implementation. Furthermore, the report cites several examples of successful implementation and application of Lean Six Sigma as well as enumerates key success factors and potential pitfalls.

## The IBM Center for The Business of Government Book Series



### **Integrating Performance and Budgets: The Budget Office of Tomorrow**

Edited by Jonathan D. Breul and Carl Moravitz

Published by Rowman & Littlefield Publishers, November 2006

Governments are under increasing pressure to produce—and to demonstrate—results in terms of their mission. Over the last decade, countries around the world have undertaken reforms with the aim of improving the relevance and effectiveness of public services and the quality of public sector management. *Integrating Performance and Budgets* showcases attempts by federal and state governments, as well as a mix of developed and developing countries, to introduce performance or results-oriented budgeting and management as a means to support better decision making and accountability. ([www.rowmanlittlefield.com](http://www.rowmanlittlefield.com))

#### **List of Contributors**

Jonathan D. Breul and Carl Moravitz; Philip G. Joyce; Julia Melkers and Katherine Willoughby; Burt Perrin; Lloyd A. Blanchard



### **Competition, Choice, and Incentives in Government Programs**

Edited by John M. Kamensky and Albert Morales

Published by Rowman & Littlefield Publishers, May 2006

Since the 1980s, the language used around market-based government has muddied its meaning and polarized its proponents and critics, making the topic politicized and controversial. *Competition, Choice, and Incentives in Government Programs* hopes to reframe competing views of market-based government so it is seen not as an ideology but rather as a fact-based set of approaches for managing government services and programs more efficiently and effectively. ([www.rowmanlittlefield.com](http://www.rowmanlittlefield.com))

#### **List of Contributors**

John M. Kamensky, Albert Morales, Jacques S. Gansler, Jón R. Blöndal, William Lucyshyn, John Barker, Robert Maly, Sandra Young, Russell Lundberg, Jonathan Roberts, Anne Laurent, John J. Callahan, John Cawley, Andrew B. Whitford, and Gary C. Bryner

### **Other Titles in the Book Series**

The IBM Center for The Business of Government Book Series is the timeliest resource for innovative ideas on government management. Discover for yourself the latest trends, best practices, and pragmatic solutions for today's and tomorrow's government.

#### **Collaboration: Using Networks and Partnerships**

John M. Kamensky and Thomas J. Burlin, editors

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#### **New Ways of Doing Business**

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#### **The Procurement Revolution**

Mark A. Abramson and Roland S. Harris III, editors

#### **Transforming Government Supply Chain Management**

Jacques S. Gansler and Robert E. Luby, Jr., editors

By Jonathan D. Breul



**Jonathan D. Breul** is Executive Director of the IBM Center for The Business of Government and a Partner, IBM Global Business Services. His e-mail: jonathan.d.breul@us.ibm.com.

## The IBM Center's 10th Anniversary

On July 15, 2008, the IBM Center for The Business of Government celebrates its 10th birthday—10 years of learning and pushing the boundaries of knowledge about the management of government.

The IBM Center has earned a reputation for a deep understanding of public management issues, rooted in both theory and practice, with a 10-year history of providing government leaders with instructive ideas that inform their actions. We are a trusted source for practical ideas and original thinking from some of the best minds in academe and the nonprofit sector. We are seen as a respected and unbiased organization with a proven record for selecting salient research topics. And we are looked to as an unbiased source for opportunities for dialogue on a broad range of public management topics.

### Research Reports

Since the Center opened in 1998, we have awarded nearly 300 research stipends to leading public management researchers in the academic and nonprofit communities that have resulted in over 200 reports—all of which are available on our site at: [businessofgovernment.org](http://businessofgovernment.org). On pages 88–90 of this issue, you can learn about some of our most recent reports.

### *The Business of Government Hour*

In addition to our research reports, we produce a weekly radio interview program, *The Business of Government Hour*, in which we interview outstanding government leaders about innovation and promising practices in their organizations. Since the show premiered in 1999, we have interviewed over 275 government leaders. The show airs weekly every Saturday morning at 9 a.m. on WJFK (106.7 FM). Starting in 2008, *The Business of Government Hour* has been syndicated and is rebroadcast weekdays (Mondays at 11 a.m. and Wednesdays at noon) on Federal News Radio WFED (1050 AM). Or, you can download interviews and read the program transcripts anytime, anyplace, by visiting [businessofgovernment.org](http://businessofgovernment.org).

### Magazine

Twice a year we publish *The Business of Government* magazine. This issue contains our recent conversation with Sir Nigel Hamilton, former head of the Northern Ireland Civil Service on “The Role of the Career Government During Transition.” From our conversation with Sir Nigel, we learned that an impartial and responsive career civil service does more than support the administration in delivering its agenda. It also can help hold a country together. Earlier we hosted an event in which General James Cartwright, vice chairman of the Joint Chiefs of Staff, described his strategic use of “blogs” to flatten the hierarchy. Throughout the remainder of 2008 we plan to host additional gatherings and discussions on the many significant management issues facing public managers.

**“The IBM Center has earned a reputation for a deep understanding of public management issues, rooted in both theory and practice, with a 10-year history of providing government leaders with instructive ideas that inform their actions.”**

### **Website**

Earlier this year we “refreshed” our website to make additional changes and refinements. We plan to continue to improve it to make it easier for you to obtain the information, insight, and advice you want. If you haven’t already done so, visit us at [businessofgovernment.org](http://businessofgovernment.org). And, while you’re at it, sign up for our e-mails, RSS feeds, and podcasts.

### **Looking to the Future**

We have learned much during the Center’s first 10 years, and we plan to continue doing so in the years ahead. Change is happening throughout government, and we want to continue connecting research to practice.

We are excited about the next 10 years and about continuing to develop and communicate new ideas for improving the management and performance of government. It should keep us busy. Stay tuned!

Improving government performance remains a complex and difficult assignment—both technically and politically. It is the aspiration of the IBM Center for The Business of Government to continue to serve as a major resource for government executives by providing them with helpful insight and foresight on the transformation of government now under way in the United States and around the globe. ●

## Who's Who at the Center



**Albert Morales** is General Manager, Federal Civilian Industry Leader, IBM Global Business Services, and Managing Partner, IBM Center for The Business of Government. His e-mail: [albert.morales@us.ibm.com](mailto:albert.morales@us.ibm.com).



**Jonathan D. Breul** is Executive Director of the IBM Center for The Business of Government and a Partner, IBM Global Business Services. His e-mail: [jonathan.d.breul@us.ibm.com](mailto:jonathan.d.breul@us.ibm.com).



**John Kamensky** is Senior Fellow, IBM Center for The Business of Government, and Associate Partner, IBM Global Business Services. His e-mail: [john.kamensky@us.ibm.com](mailto:john.kamensky@us.ibm.com).



**G. Martin Wagner** is Senior Fellow, IBM Center for The Business of Government, and Associate Partner, IBM Global Business Services. His e-mail: [marty.wagner@us.ibm.com](mailto:marty.wagner@us.ibm.com).



**Michael J. Keegan** is Producer of the IBM Business of Government Hour and Managing Editor of *The Business of Government* magazine. His e-mail: [michael.j.keegan@us.ibm.com](mailto:michael.j.keegan@us.ibm.com).

**Lauren Kronthal** is Marketing Director, IBM Center for The Business of Government. Her e-mail: lauren.kronthal@us.ibm.com.



**Ruth Gordon** is Business and Web Manager, IBM Center for The Business of Government. Her e-mail: rmgordon@us.ibm.com.



**Consueline Yaba** is Executive Assistant, IBM Center for The Business of Government. Her e-mail: consueli@us.ibm.com.



## A New Look Forward

To mark our 10th anniversary, we have redesigned our website, [www.businessofgovernment.org](http://www.businessofgovernment.org), to make it easier to use and to offer more interactive features, such as RSS feeds and topical blogs.

Amid all of these exciting enhancements, some things remain the same:

*All of our publications and Business of Government Hour interviews continue to be available for downloading free of charge.*

The screenshot shows the website's layout. At the top left is the logo for the IBM Center for The Business of Government. Below it is a banner for "Improving Government Management Through Research" featuring an image of the US Capitol. A "SPECIAL FEATURE" section highlights the 10th anniversary with a circular graphic and text about the center's history and future challenges. A "PRESIDENTIAL TRANSITION series" section lists recent news items. On the right, there is a navigation menu, a search bar, and a "RESEARCH & REPORTS" section with a list of topics. Below that is a "Listen to the Business of Government Hour" section featuring a photo of Roy Bernardi, Deputy Secretary of the Department of Housing and Urban Development, and a schedule of broadcasts. At the bottom, there are "Blog Topics" and "RSS Feeds" sections.

# How to Order Recent Publications

To obtain printed copies free of charge, please specify the number of copies needed and return this form to the Center either:

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 Washington, DC 20005

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**BY E-MAIL** Order requests can be e-mailed to the Center at: [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)

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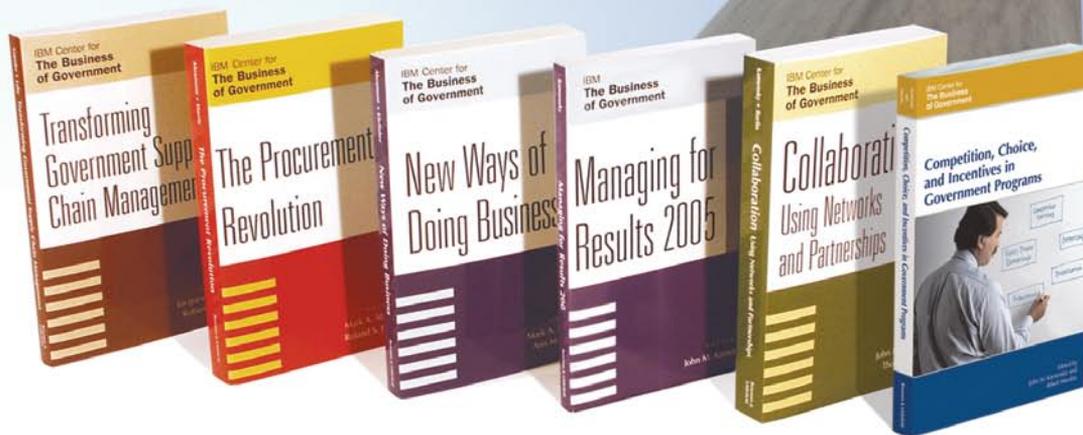
Publications can also be downloaded in Acrobat format from the Center’s website: [www.businessofgovernment.org](http://www.businessofgovernment.org).

REPORT TITLE	QUANTITY
Seven Steps of Effective Workforce Planning	
Transforming Government Through Collaborative Innovation	
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Strategic Use of Analytics in Government	
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A Manager’s Guide to Resolving Conflicts in Collaborative Networks	
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Jacques S. Gansler and Robert E. Luby, Jr., editors

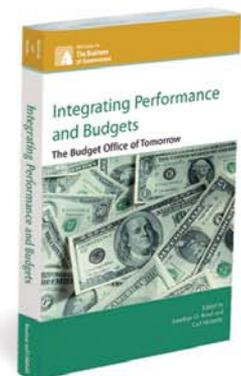
***The Procurement Revolution***  
Mark A. Abramson and Roland S. Harris III, editors

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Mark A. Abramson and Ann M. Kieffaber, editors

***Managing for Results 2005***  
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### About the IBM Center for The Business of Government

The IBM Center for The Business of Government connects public management research with practice. Since 1998, we have helped public sector executives improve the effectiveness of government with practical ideas and original thinking. We sponsor independent research by top minds in academe and the nonprofit sector, and we create opportunities for dialogue on a broad range of public management topics.

The Center is one of the ways that IBM seeks to advance knowledge on how to improve public sector effectiveness. The IBM Center focuses on the future of the operation and management of the public sector.

### About IBM Global Business Services

With consultants and professional staff in more than 160 countries globally, IBM Global Business Services is the world's largest consulting services organization. IBM Global Business Services provides clients with business process and industry expertise, a deep understanding of technology solutions that address specific industry issues, and the ability to design, build and run those solutions in a way that delivers bottom-line business value. For more information visit [www.ibm.com](http://www.ibm.com).

### For additional information, contact:

**Jonathan D. Breul**

Executive Director

IBM Center for The Business of Government

1301 K Street, NW

Fourth Floor, West Tower

Washington, DC 20005

(202) 515-4504

fax: (202) 515-4375

e-mail: [businessofgovernment@us.ibm.com](mailto:businessofgovernment@us.ibm.com)

website: [www.businessofgovernment.org](http://www.businessofgovernment.org)



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